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China Report

ECONOMIC AFFAIRS

SELECTED ARTICLES ON REFORM OF ECONOMIC SYSTEM, ENTERPRISE MANAGEMENT

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CHINA REPORT

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SELECTED ARTICLES ON REFORM OF ECONOMIC SYSTEM, ENTERPRISE MANAGEMENT

Shanghai JINGJI TIZHI GAIGE HE QIYE GUANLI RUOGAN WENTI DE TANTAO [AN INQUIRY INTO SEVERAL ISSUES CONCERNING REFORM OF THE ECONOMIC SYSTEM AND ENTERPRISE MANAGEMENT] in Chinese March 1985

[Selected articles from book by Jiang Yiwei [5592 0001 5517]. Published by Shanghai Renmin Chubanshe]

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1. Introduction: A Five-Year Retrospective [pp 1-10]

[Text] This collection includes the principal articles I wrote during the 5 years between 1979 and 1983, 31 articles in all. Most of these articles were published in newspapers and periodicals while the rest are unpublished lectures, reports, etc. These articles were published at different times so the wording and expressions may not be exactly the same in earlier and later articles. When publishing a collection of esays, I believe that one should basically preserve the original articles; thus in most of the articles only the necessary corrections have been made along with certain revisions in specific articles.

As far as I am concerned, the publication of such a collection has significance in that I may make use of this opportunity to look back on the course I have taken over the past 5 years in ideology and in work. However, does it have any significance for the reader? I believe it may be of some use. The past 5 years has been a period of major historical change, and current reforms have become the key points in national economic work. My essays deal primarily with the reform of the economic system and enterprise management. Although this is only "the opinion of one school of thought," it speaks to a lesser or greater extent to several major issues in China's reform. It may provide readers who are concerned with these issues some material to ponder and explore. By offering some of my ideas, others may be inspired to probe further.

In order to compile this collection it was necessary to review the articles I had written and the talks I had given over the past several years. Naturally, this was very exciting as it brought to mind the various experiences related to each article. Most of all, I rejoice over being part of this great new historical period of our party and state during my later years.

What is man's greatest happiness? I believe the greatest happiness is being able to be part of the turbulent and surging current of history. Regardless of the extent of man's abilities, if he can become a drop of water in the advancing tide, that is happiness. No man's words and actions can be correct all the time, yet if he lives in a time that encourages him to dare to think, speak, and act, that is happiness.

The 3d Plenum of the 11th CPC Central Committee ushered in a new era in our party and nation of liberating ideology, seeking truth from facts, stability, unity, and vitality. Without such unprecedented historical conditions I would not have been able to write these articles, much less publish so many of them. I have written essays in the past, but they were regarded as no more than the opinions of an intellectual. At that time it seemed that in real life there was no need for theoretical work, that theoretical workers were usually unprepared to truly participate in reality. Essays were like a goose feather thrown into the mighty current of life, as not even half a drop of water splashed back up. If one was not successful he incurred fabricated charges and sudden misfortune. I, like numerous intellectuals, personally endured such adversity. The situation today is completely different. The party and the state stress developing the role of intellectuals and urge theoretical workers to confront and serve reality. Even if one's views are insignificant and limited, they may play some role in reality; they are all welcomed and encouraged by the party and the people. At present, theoretical workers no longer lack an arena for displaying their abilities; on the contrary, theoretical workers are needed to study and investigate the large number of real problems we are confronted with. Indeed, there is much theoretical work to be done.

Since the 3d Plenum of the 11th CPC Central Committee a gratifying phenomenon has occurred under the guidance of the ideological line of liberating ideology and seeking truth from facts: the true implementation of the party's policy of letting a hundred flowers bloom and a hundred schools of thought contend. This is a significant sign that the nation and people are heading toward a period of full bloom.

I am a "late blooming" theoretical worker. My theoretical foundation was shaky and practical experience lacking. Nevertheless, due to the objective requirements of my work, I published some immature ideas over the past 5 years concerning systems reform and enterprise management. What makes me feel excited is that these ideas have evoked repercussions of all kinds. Some proposals have won the support of the Central Committee or local leading comrades, and I have had the opportunity to acquire some practical experience. some theses provoked great argument. As far as an author is concerned, approval or opposition are both inspiring and constructive.

To enable the reader to better analyze and approach the ideas in my essays, I must explain some controversial matters. To be sure, these explanations are based upon my own understanding, so I dare not claim that they are objective comments.

Of the 31 articles included in this collection, nearly half are controversial. Of these, the article "Enterprises as Basic Units" concerning the two levels in distribution according to work, the Chinese method of enterprise management, and the enterprise leadership system evoked the greatest reactions. Below I will give a simple explanation of these problems and of controversies over other articles.

The first draft of the article "Enterprises as Basic Units" was written during the first half of 1979. As internal material, it was sent for review to leading comrades of the Central Committee and to relevant departments. At that time systemic reform was being discussed and there was much argument over how to proceed with urban reforms. I felt that it was necessary to begin by first defining the nature and position of socialist enterprises and clarifying the relationship between the state and enterprises, and then use this as the criterion for mapping out the entire macroscopic management system. In order to explain this concept I tried to provide theoretical proofs. I proposed the idea of enterprises as economic cells and the notion that enterprises are independent commodity producers. I divided the economic system into three models, the theory of the state as the basic unit, the theory of the region as the basic unit, and the theory of the enterprise as the basic unit. I advocated adopting the latter for carrying out reforms. This article solicited internal opinions and won the acceptance of several leading comrades. Later, the article "My Views Concerning the Theory of Enterprises as the Basic Unit" was published in the monthly JINGJI GUANLI [ECONOMIC MANAGEMENT]. After revision and additions, "Enterprises as Basic Units" was published in the first issue of ZHONGGUO SHEHUI KEXUE [SOCIAL SCIENCES IN CHINA], stimulating a variety of reactions. Some approved and others did not, and this has continued to the present.

Whereas the majority of enterprise workers approved of this article, certain comrades in economic agencies and in theoretical circles took exception. Some felt that "Enterprises as Basic Units" advocated in a biased manner reviving the microeconomy while overlooking macroscopic control. Some argued that since one cannot call a socialist economy a commodity economy, neither can enterprises act as commodity producers. Others believed that in state-owned enterprises the means of production are owned by all the people and that therefore we cannot implement the practice of assuming responsibility for profits and losses, while still others interpreted my words too literally. Because I used the two characters "benwei" [2609 0143] for departmentalism, they felt that "Enterprises as Basic Units" encouraged departmentalism in enterprises. Except for making oral replies at some meetings, I have written no articles rebutting these objections. I believe that only comrades who have earnestly read this article can see that "Enterprises as Basic Units" proves simply that in the reform of an industrial and commercial system it is necessary to design a macroscopic management system using the form of the enterprise as the criterion, and under no circumstances should we neglect macroscopic control. The use of "benwei" is like adopting the gold or silver standard in currency; it is not the same as the meaning of the characters in the word for departmentalism. Even if they were the same, favoring a basic unit is not equivalent to promoting departmentalism, just as our emphasis on experience does not mean that we advocate empiricism. As for whether a socialist economy is a commodity economy, this has been a matter of great contention in theoretical circles for many years. Nevertheless, at the very least everyone acknowledges that commodity production and commodity exchange still exist and that they must be developed. Since commodity production does exist, how can there not be commodity producers? And whether state-owned enterprises should assume responsibility for profits and losses is a problem that can be explored further. At any rate, the matter of responsibility for profits and losses has gradually become clearer.

In the past few years the application of reforms has shown that there is still a multitude of reforms to be made in the economic system. We must first solve the problems of the form of economic cells. Complete successes have been obtained in rural reforms and an effort has been made to first correctly resolve the problem of the form of economic cells. Rural areas have implemented the output-related system of contracted responsibility. Essentially, they proceeded from China's rural production forces to create a new rural economy with the rural household as the basic unit. One may call this a case of "rural households as the basic unit." Over the past few years many experiments have been tried in urban reforms from expanding enterprise autonomy to broadly establishing the economic responsibility system in industry to further expanding enterprise autonomy and to simplifying administration, expanding rights and transferring them. In the final analysis, the problem still remains of determining the nature and position of enterprises.

In 1980 I published "Several Questions Concerning Distribution According to Work" in GONGREN RIBAO [WORKERS DAILY]; that same year I also published in GONGREN RIBAO "A Tentative Discussion of the Principle of Comprehensive Material Benefits." In these two articles I proposed the concept of "the two levels in distribution according to work." I believe that in implementing distribution according to work, it is not possible to simply apply Marx's classicial exposition in practice. That is, society cannot directly institute distribution to individual producers according to labor. Society must first carry out distribution for the labor contributions of enterprise collectives, and only then implement distribution by enterprises to staff and workers on the basis of work. In the article "A Tentative Discussion of the Principle of Comprehensive Material Benefits," I made some recommendations for reforming the wage system. XINHUA reprinted an abstract of this article, which provoked a great reaction throughout the country. I received over 1,000 letters from readers throughout China, most of which expressed support for my ideas concerning reform of the wage system. The concept of the two levels in distribution according to work evoked some controversy in theoretical circles. The matter of the two levels in distribution according to work grew to include inquiry into distribution of national revenue and redistribution and an examination of the relationship between wages and costs, etc. Then the western section of the city of Chengdu tested the "method of subtracting capital and sharing," which is considered an application of the concept of two levels in distribution according to work. It too evoked great controversy. This controversy has continued to the present.

In the above mentioned two articles, due to limitations of space, I have not carried out further theoretical discussions. Regarding Marx's exposition on distribution according to work in his "Critique of the Gotha Program" I stressed that in socialized, large-scale production enterprises it is not possible for individual labor to make a direct contribution to society; it can only provide society with products [chanpin 3934 0756] manufactured by enterprise collectives. In reality, the fundamental problem still lies in the fact that Marx at that time believed that by establishing a socialist society it would be possible to eliminate commodities [shangpin 0794 0756]. An individual's labor would become a direct part of social labor. However, in current reality we are still practicing commodity production. It is not possible for an individual's labor to become a direct part of social labor. We can only use the average socially necessary labor that goes into manufacturing commodities to measure labor contribution to society. Consequently, distribution according to work must be divided into two levels or two administrative levels in order to be carried out. In this collection I have made the above mentioned revisions and additions to "Several Questions Concerning Distribution According to Work."

The two problems of eating out of "one big pot" are fundamental problems that must be resolved through systemic reform. The two levels in distribution according to work were proposed precisely to deal with the two problems of eating out of "one big pot." If enterprises practice distribution according to work, that will solve the problems among enterprises of eating out of "one big pot," and if enterprises carry out distribution to workers on the basis of work, that will solve the problem among workers of eating out of "one big pot." There are those who believe that the problem among enterprises is exchange of equal value, not distribution. Actually, this is not so. Capitalist enterprises use exchange of equal value, including equal value exchange of labor power, to realize capitalist distribution. After socialist enterprises undergo exchange of equal value, their net revenue must still be distributed between the state and enterprises. The size of the portion retained by enterprises which is transformed into consumption funds, for individual workers and collectives is a matter of distribution. The total amount of the consumption fund should embody the principle of greater profits for more work and fewer profits for less work. This is society's distribution to enterprise collectives on the basis of labor. The amount of enterprise-retained profits applied to production development funds is the redistribution of the portion accumulated by the state. Naturally, this does not fall under the category of distribution according to work. The concept of two levels in distribution according to work proceeds from this objective reality and I have therefore proposed the matter of reconsidering Marx's classical exposition.

The other implication of the concept of the two levels in distribution according to work involves the problem of the wage control system (including bonuses). Since the state has acknowledged the two levels in distribution according to work, the state need only be concerned with distribution to enterprise collectives, that is, controlling the total amount of enterprise consumption funds according to the principle of distribution according to work. The top must not be closed off and the bottom must not be kept low. Enterprises may determine how to implement distribution on the basis of labor within enterprises. This principle of two levels in distribution has already been accepted.

While carrying out reforms these past few years, there has been great controversy concerning the problem of the enterprise leadership system. I appreciate the spirit of relevant directives of central government leaders. I wrote the article "On the Leadership System of Socialist Enterprises" in which I proposed the concept of "separation of powers" in enterprises. I believe that enterprise party committees play a major supervisory role in enterprise administration. This discussion aroused much criticism; some comrades felt that this would weaken the party's leadership of enterprises. The matter of the enterprise leadership system has continued to be examined over the past few years. Some enterprises have carried out reform experiments. They have tried out the factory manager responsibility system under the leadership of the congress of delegates of staff and workers and have been successful. At present everyone's views are gradually becoming more similar and they have affirmed the direction of carrying out the factory manager responsibility system. There have also been new developments in my own understanding of this problem. I am preparing to write an article on "A Reexamination of the Leadership System in Socialist Enterprises." The basic concepts, however, remain the same.

In 1979 a debate was launched on the correct way to study and promote the experiences of foreign countries in comprehensive quality control. The scope of influence was quite broad. Some comrades had the mistaken understanding that I oppose comprehensive quality control. Actually, I was one of a group which was first to participate in promoting comprehensive quality control. What I did oppose was indiscriminately copying the experiences of foreign countries. I advocated establishing a control science that embodied Chinese characteristics and, to this end, I published some lectures and articles. Afterward, responsible comrades in the State Economic Commission summed up studying the experiences of foreign countries in a 16-character policy: "Give priority to China, choose their numerous strong points, combine and refine them, and develop our own unique style." I wholeheartedly agree with this approach.

After studying foreign experiences in comprehensive quality control, in 1979 comrades in the Shanghai Diesel Engine Factory proposed the concept of "comprehensive economic accounting." When I was in Shanghai investigating and studying I was inspired by this idea and suggested using the "three comprehensives" (comprehensive planning management, comprehensive quality control, comprehensive economic accounting) as the conceptual basis for China's enterprise management system. I discussed this in the article "Basic Characteristics of Managing Socialist Enterprises." There were then further developments giving rise to the concept of "one system and four comprehensives," that is, a democratic and centralized leadership system, and comprehensive planning management, comprehensive technical and quality control, comprehensive economic accounting, and comprehensive control of personnel and labor. Whether or not a Chinese-style enterprise management system could use the model of "one system and four comprehensives" also provoked widespread discussion. Nevertheless, numerous enterprises throughout China approved of this and achieved real successes in practice. Of course, further investigation in carrying this out is necessary, but a large step has already been taken toward a Chinese-style enterprise management system. With this kind of beginning the future will surely yield excellent results. Moreover, with sustained and abundant development a socialist Chinese school of thought will form in the international tribune of opinion on management.

I have mentioned several problems that have created much controversy. Other articles also discuss numerous theoretical or practical controversies. For example, "Daring To Take the First Step in Reforming the System" once provoked national debate on how to evaluate Sichuan's experiences in reform. During reform the Capital Iron and Steel Co. tried out the contract for increased profit delivery which also evoked tremendous debate. The problem of industrial reorganization and enterprise consolidation has not yet been rationally resolved and to this day remains a controversy.

Under the guidance of the party Central Committee's eight-point policy of "readjusting, restructuring, consolidating, and improving" there have been great developments in the national economic situation. In his report to the Second Session of the Sixth NPC, Comrade Zhao Ziyang stressed the problem of urban reform. I believe that if we regard the past few years as the focal period of readjustment, we are now beginning to shift to a focal period of reform, wherein the critical area will be urban reform. Urban reform is much more complicated than rural reform. Numerous problems await further theoretical investigation and further practical exploration. I personally believe that urban reforms must first of all regard the enterprise as the basic unit and clarify the form of this economic cell as well as the relationship between the state and enterprises. It is necessary to use this as the criterion for designing a comprehensive macroeconomic management system.

The overall national economy is an organism with organic connections. Clarifying the form of the economic cell is only the beginning, the basis for reform. On this foundation, it is necessary to resolve the problem of cross connections among cells. This involves the problems of reorganizing industry and commerce and consolidating enterprises as well as developing the role of key cities, etc. It is also necessary to resolve the problems of the state's vertical management and organization of economic activities from the central government to localities. The current proposal to "simplify administration and expand rights" was suggested precisely to study and resolve the problems of vertical relations. In my article "The Essence of the Reform of the Economic Management System Is To Bring About a Socialist Economic Democracy" I presented several views on vertical management. The concrete methods mentioned may not all be appropriate but I believe that the rational approach is to establish a vertical management organization based on the principle of democratic centralism.

The policy direction of the party and the state is to revive the domestic economy and open up to foreign trade. The latter involves the problems of how to correctly handle foreign relations and howto handle economic relations between socialist and capitalist countries. The solution to all these problems must comply with the principle of liberating ideology and seeking truth from facts. We must conduct theoretical and practical investigations and proceed along the path of Chinese-style socialism.

As a theoretical worker, today I am confronted with a wonderful situation. I feel both excited and ashamed that my own abilities and knowledge are inadequate. By publishing a collection of my major articles of the past 5 years, in addition to hoping to inspire others, I hope to receive the criticism and correction of comrades in theoretical circles and in practical work so that I become better able to do what I can to promote reform.

Jiang Yiwei
Beijing, 1 July 1984

2. Planning and Control [pp 59-66]

[Text] [Editor's note] The author delivered this essay at the theoretical symposium held 8 April 1982 by the CPC Central Committee Ministry of Propaganda. [End of editor's note]

I. It Is Necessary To Maintain a Socialist Planned Economy

The issue of planning and the market is one of the major problems being enthusiastically discussed in theoretical circles today. It is also a major practical problem that must be resolved in order to implement the policy of readjusting, restructuring, consolidating, and improving.

According to Marxist theory, when carrying out socialist revolution and construction, there are many aspects to the historical tasks that must be fulfilled. One of the basic links is to bring about public ownership of the means of production. Only on the basis of public ownership is it possible to establish a unified socialist economy, to develop production and meet demands in a planned and proportionate manner and to overcome that crisis and great waste produced by the state of anarchy in social production under capitalism. Thus, a socialist economy must undertake economic planning; this is a fundamental, unchanging principle.

The question at present is how are we to understand a planned economy? How specifically should it be implemented so as to be advantageous to developing production?

Marxism has not really provided us with a specific model of a planned economy. A rational planned economy can only come about by constantly reviewing the experiences of real life. China has had both experiences and lessons in implementing a planned economy. When we affirm experiences we cannot only affirm past models. When we sum up lessons we have learned, we cannot therefore deny this fundamental principle in implementing a planned economy. The tasks confronting us are: first, we must uphold socialism and implement the principle of a planned economy; and second, se must sum up experiences and lessons, undertake a thoroughgoing inquiry into a planned economy, ranging from concepts to concrete methods, and seek a specific form that suits the development needs of China's production forces and that will facilitate continued development.

II. We Must Clarify Several Conceptual Matters in the Area of Theory

During theoretical inquiry one frequently encounters unclear ideas. People's understanding of the meaning of what is said varies and, as a result, there may be much argument. Each person discusses his interpretation, or they misunderstand each other or they talk about different things entirely.

We must not rely solely upon a few words of leaders in the central government as the basis for studying theoretical problems. We must be skilled in understanding the spiritual essence and basic guiding thought of speeches given by our leaders in the central government. We cannot ask our leaders to be so exact and precise in their use of words and thus cannot simply mechanically apply certain expressions from their speeches. On the contrary, theoretical workers are responsible for adopting a scientific attitude and for using precise concepts to logically elaborate on the principles and rules set forth by the central government. This is the proper attitude to take regarding the party and the manifestation of the proper party spirit among theoretical workers.

I feel that there are many unclear concepts regarding the issue of economic planning. Many years of practical life have given rise to concepts derived from experience. When we try to change reality, these habitual concepts often impede our inquiry into the true nature of things. For instance, our planning management follows the Soviet practice of adopting directive planning to control the activities of economic units. For this reason, the very word "plan" implies directive plans. Thus, directive planning seems to be equivalent to a "planned economy." The mention of the word "market" implies "free market," but because a free market is not included within the sphere of directive planning it is not a part of planning and not a part of a planned economy. It is worth discussing whether this kind of conceptual system formed from customary ways of looking at things is theoretically scientific and what contradictions exist in practice.

Based on my own limited understanding, China's public ownership economy already occupies a dominant position. The entire social economy should be a socialist unified economy. To implement planning management is also to implement a planned economy. The entire socialist economy should be included in the planned economy.

Some people may argue that since the economic activities of the whole country are so complex, how can they all come under planning? This touches upon the conceptual matter of what exactly is planning. If planning is equivalent to directive planning, naturally it is not possible to include all production and circulation as well as the particulars of variety and specifications in planning. The literal meaning of planning has to do with people's predictions, assumptions, and overall planning regarding objective activities. Its meaning may be general or specific.

To implement a planned economy is to practice planning management of economic activities throughout the country, including market regulation. However, the extent and methods of management vary. For instance, if we stipulate which commodities may be freely regulated by the market, this stipulation itself is an act of planning management. This involves the conceptual question of what is planning management.

There are primarily two functions of planning management: one is to formulate plans and the other is to exercise control of economic activities to achieve planning objectives. Planning management, planning, and control are three different concepts. Planning plus control results in planning management. Planning is the prediction and demand for objective economic activities.

Control is the realization of planning objectives and the regulatory measures used for objective activities.

Planning should be comprehensive but the term planning includes both general and specific planning. There may be differing methods of control, but they can be roughly divided into two methods: direct control and indirect control. Take control of production for example. The state may adopt direct methods of control--such as issuing directives--for major commodities that affect the national policy for the people's livelihood. Even though production will be directly controlled and this will be reflected in planning, it is of course still necessary to make more detailed provisions. The production of other goods cannot be ignored, so planning provisions for these goods may either be left rather general, or specific amounts of increase or decrease may be stipulated. It is not that the production of these goods is uncontrolled, but that indirect methods of control are used, that is, economic levers are primarily applied as a means of control so that production remains consistent with the objectives of planning predictions as much as is possible. To be sure, this does not mean that because indirect control utilizes economic levers, direct control totally disregards economic regulatory measures. Direct control must also make use of the law of value to motivate initiative for fulfilling directive tasks.

We must not regard the market as only a free market. In a planned economy under socialism the state directly controls the production of some primary goods and, at the same time, controls their circulation and distribution. One may say that the circulation of these goods constitutes a "market." It is reasonable for Comrade Chen Yun to call this part of the market the "state market." This means that this market is controlled by the state. With state control of these goods, it is possible to carry out direct allocation and distribution according to plans. Also, state material and commercial sectors may put goods on the market and organize free buying and selling.

A free market under a planned economic system differs from a free market under capitalism. Besides being restricted by state policies and laws, state controlled goods may also enter the free buying and selling market. If the free market can play a role in "market regulation" in supply and demand, the goods controlled by the state can also play a role in "regulating the market."

If the aforementioned concepts become established, then "planning" and the "market" will no longer be antagonistic categories. To implement a socialist planned economy, there should be integrated unified planning including both direct and indirect control. As for the realization of unified planning, we should give priority to direct control and regard indirect control as secondary. Under certain conditions this may be reversed. A socialist economy is a unified market, including both a market directly controlled by the state and a free market indirectly controlled by the state. If we are to say which is primary and which secondary, the market directly controlled by the state secondary. Similarly, under certain conditions this may be reversed. The two aspects of the contradiction are not planning and the market; actually, the problem that must be resolved is the contradiction between direct and indirect control.

III. Resolving Through Practice the Issue of Methods of State Control Over Economic Activities

Since the 3d Plenum of the 11th CPC Central Committee, the experiments we have carried out in reforming the economic management system, the policies we have implemented to open up to the outside world and revive the domestic economy, and the expansion of enterprise autonomy and local economic jurisdiction have all restructured circulation channels and expanded the role of market regulation. Everyone acknowledges that the direction of reform is correct and that successes have been remarkable.

However, while reviving the economy, macroeconomic control has not kept up. At present a problem that urgently awaits solution is the problem of control, that is, the reform and improvement of planning management.

After formulating plans for social and economic development, the state must do many things to practice control and regulation so as to realize plans. What must the state primarily control? I think that the state must control the production and circulation of goods and control the distribution of national income. Both direct and indirect means of control must be adopted to exercise control in these two areas.

As for the production and circulation of goods, the state should exercise direct control of those primary goods that affect national policy concerning people's livelihood. However, is direct control attained by issuing "directive" plan targets? Historical experiences show that merely having target amounts on paper does not fully solve the question of control. Planning and control are two concepts, and considering directive planning to be equivalent to exercising control is muddled thinking. There must be practical measures of control. In the past, directive planning relied on fulfillment of accounting targets to evaluate the production results of enterprises. Nevertheless, there are numerous problems involved in assessment using targets. In order to fulfill production value, it is possible to blindly produce goods with high production value. It is also very difficult to reflect the actual quality of products by relying on targets, and because the use value of products is varied, it is very difficult to express quality norms using uniform data. Moreover, state issuance of directive targets to enterprises may be characterized as an administrative measure with rights but no responsibilities. Often planning departments only issue general production value or output targets. What are the particular varieties, what are the specifications? Where are the prospective sales targets? Who provides the required production conditions? No answers are provided to these questions. To date, control of planning targets has been decentralized, departments are in charge of output, localities demand production value and financial departments demand profits. None is connected to the other. This kind of directive target creates even more difficulties for enterprises.

To truly exercise direct control of the production and circulation of goods, besides issuing directive plans, state material and commercial departments should represent the state in ordering goods from enterprises, in clarifying variety, output, and delivery date for goods, and in carrying out a product quality checking system (spot checks using mathematical statistical methods may be used for products manufactured in large quantities). Guarantees must also be provided for the conditions necessary for production in enterprises. The above mentioned rights and responsibilities are set down in contract form. In this way enterprises are responsible for guaranteeing the fulfillment of state orders for goods in terms of quality, quantity, and according to schedule. Material and commercial departments as well as offices in charge of coordinating enterprises must also represent the state in carrying out responsibilities toward enterprises.

By signing a contract, administrative orders become economic acts which embody a management system made up of responsibilities, rights, and benefits.

Directly controlled goods are centrally bought and sold by the state or there is planned purchasing by the state. Other goods may be selectively purchased and sold on behalf of the government or independently marketed by enterprises. These goods may be indirectly controlled by price, taxation, etc.

As for the control of distribution of national income, first, there is control of the ratio between accumulation and consumption; second, the distribution of accumulation; and third, the distribution of consumption.

As for the distribution of accumulation funds, the state should directly control investments in key construction projects. However, there must be a specific proportion in accumulation funds set aside for enterprise production construction funds which are to be independently allocated by enterprises. The state still retains ownership of this portion of the fund, while enterprises only have utilization rights, primarily for technological transformation. The extent and limits of utilization may be determined by the state. Another portion may be considered a medium- or short-term loan by the bank to support small-scale construction which corresponds to plans. The use of these two portions of the accumulation fund comes under indirect control. Economic levers may be used for regulation so as to urge production construction to meet the needs of planning objectives.

As for the control of consumption funds, in terms of the macroeconomy, there must be rational distribution of the entire consumption fund. The portion that is distributed to enterprises is the enterprise staff and worker consumption fund which includes wages, bonuses, and daily welfare expenses, etc. It is transformed into the portion consumed by individual staff and workers. It constitutes such a large proportion of the entire national income that the state must exercise control. As for enterprises, the state must stipulate the proportion of enterprise net output value in the consumption fund. Enterprises may determine independently how to distribute the staff and worker consumption funds within enterprises on the basis of labor.

The particular opinions mentioned above are of course only some ideas which are not yet fully formed. I presented these examples to demonstrate that "planning" and "control" are not one concept. There may be and there should be some directive planning, but this does not amount to a resolution of the problem of macroeconomic control, which requires the study of methods of direct and indirect control. Under a socialist planned economic system, planning acts as a common goal which is predicted. It is entirely feasible for the state to correctly use the two means of direct and indirect control to regulate all national economic activities so that there is both autonomy in basic level enterprises and centralized, unified state leadership. The state must carry this out in a flexible but orderly manner; there must be centralization but not stifling overcentralization. This requires the concerted effort of theoretical circles and practical work departments. We must liberate ideology, seek truth from facts, earnestly analyze experiences in planning work over the past 30 years and in systems reform over the past 3 years. We must head along the new path of implementing a socialist planned economy.

3. Encouraging and Protecting Competition [pp 115-121]

[Text] [Editor's note] This article was published in GONGREN RIBAO, 3 June 1980, under the name "Special Commentator." [End of editor's note]

I. Competition Is an Objective Law of General Commodity Production

During the process of integration of planning regulation and market regulation following initial reforms in the economic system, some enterprises launched competition which revealed their superiority and vitality. A decrease in planning tasks since 1979 forced many enterprises to enter the market "seeking rice that has fallen out of the pot." As soon as they entered the market they unavoidably ran up against a competitive opponent. In the past, production was emphasized while marketing was not; whether varieties were many or few, and whether quality was good or poor, sales were guaranteed by state centralized procurement. The state also assumed sale responsibility for making a profit and sustaining losses: "The daughter of an emperor need not worry about getting married." Upon entering the market the workstyles of these "government industries" and "government businesses" were no longer satisfactory. Markets had to be found for products and consumers had the freedom to purchase selectively. Products only became popular when the products met market demand, were high in quality, and cheap. Otherwise we might as well have stopped work, stopped production, eliminated bonuses and even stopped paying wages. What could they do? The secretaries and plant managers had to personally seek out markets, pay visits to consumers, initiate services, increase variety and assortment, improve product quality, deliver goods on time, undertake responsibility for repairs, refunds and exchanges. In the past, repeated injunctions failed to work, while now things are done "automatically." What is the reason for this? Competition.

It is generally acknowledged that China's current system of economic management must be reformed. In the past year or so there has been a major theoretical breakthrough, that is, the acknowledgement that in China's current phase of socialism not only must we not abolish or restrict the commodity economy, but make every effort to develop it. Since it is necessary to implement commodity production, competition, an objective law in general commodity production, will inevitably play a role in socialist commodity production. This is not determined by the subjective will of the people.

In the past the people have associated the term competition with capitalism. For many years we have avoided mention of competition because we feared association with capitalism. Actually, this is a misinterpretation. Competition is an objective law of general commodity production, not a law unique to capitalist commodity production. Capitalists are unscrupulous in their efforts to rake in profits; they benefit at the expense of others and wage a life and death struggle in the market in which survival of the fittest rules. Under the capitalist system of private ownership, these phenomena are objectively existing facts and they are connected to competition. However, the connection between these two phenomena is not necessarily a causal one.

In terms of the inherent nature of the capitalist, it is not so much that he wants to compete as that he wants even more to monopolize. If he can monopolize the market he will seek exorbitant profits without scruple. The capitalist feels compelled to vie competitively. Competition, it should be noted, serves to promote historical advancement, while a monopoly "will inevitably give rise to the trends of stagnation and corruption." This is historical dialectics. We know that contradiction is the internal motive force for the development of things and that without it there is no movement. We can even go so far as to say that without contradiction there is no life. Competition is one form of movement in the contradiction of the general commodity economy. The use value of commodities can only change with each passing day through competition and only competition can spur on the rapid growth of science and technology. The value of commodities can only enable socially necessary labor to decrease day by day through competition while labor productivity continues to improve. During the period of China's First 5-Year Plan there was fierce competition in the state-run economy and the privately run economy. At that time the state-run economy was dynamic, it quickly triumphed over capitalist management and won great victories in socialist transformation and construction. Following the completion of socialist transformation both the system of state ownership and the system of collective ownership coexisted. There was no competition, however, and bureaucratism in economic management grew steadily such that the economic structure gradually became rigid and labor productivity dropped alarmingly. Twenty or more years of practice demonstrates that under socialist conditions commodity production becomes like an exclusive business; no other branch office exists. The market is totally monopolized and there is no competition. The economy then cannot develop in a lively and active manner. We must accept competition and use it correctly. Only then is it possible to promote improvements in the level of socialist economic management and technology and only then is it possible to accelerate even further the development of the socialist economy and fully demonstrate the superiority of the socialist system.

II. Competition Among Enterprises

The central issue in China's economic system may be summarized as follows: Is it better to stimulate the economy further or to control it further? After some discussion, the unanimous decision was reached that it is necessary to further stimulate the economy.

In order to do this, it is necessary to change from state centralized management to state unified leadership. Under unified state leadership it is necessary to implement a socialist commodity economy and accept the enterprise as the basic unit in socioeconomic activities; to accept the enterprise as a relatively independent commodity producer; to accept the enterprise as having its own independent economic interests; and to acknowledge that the enterprise, while observing state economic policies and laws, has the right to obtain its own profits in addition to strictly performing its duties to the state. Under the planning guidance of the state, the enterprise has a certain amount of autonomy in production management. Only in this way can the enterprise become a vital and thriving economic entity and thereby stimulate the entire national economy.

Having recognized that enterprises have independent economic interests, it is inevitable that disparities in profit levels develop among enterprises. These disparities arise from competition. The commodities or the quality and quantity of services provided to satisfy the demands of society are the concentrated expression of the results of enterprise production. The greater the contribution the greater profits should be. Actually, this is the reflection of the socialist principle of distribution according to labor and it is the chief reflection of this principle. If egalitarianism is the primary cause hindering economic growth, then the problem of "eating out of one big pot" among enterprises, regardless of management, profits or losses, is extreme egalitarianism. If we do not first solve this problem, we will be unable to stimulate the economy. Some comrades believe that under a socialist system we can only engage in emulation, not competition. As we have analyzed above, competition is an objective law of general commodity production. Unless you do not engage in commodity production, it is absolutely necessary to emphasize competition. However, socialism is after all different from capitalism. The socialist system of public ownership determines that enterprises have individual interests as well as common interests. Consequently, there are competitive relations among enterprises so that they can seek their own interests and competitive relations to increase common profits. The difference between competition and emulation is that competition is inevitably linked to material profit and is ultimately manifested in "the good winning and the inferior losing." Comrades who fear competition have misgivings concerning just these two points: they fear that emphasizing material gains will lead enterprises on the wrong path of "putting profit first," and that emphasizing the idea that the good win and the inferior lose will give rise to the tragic scene of "the failure and death of some and the triumph and control of others." This apprehension is totally unnecessary. These comrades have forgotten that we are a socialist society, our commodity economy is a commodity economy under the unified leadership of the socialist state. The state's policies and laws will protect competition and the legal rights and interests of enterprises and also supervise illegal profit-making. They allow there to be profit disparities among enterprises due to the quality of the management of production while also correcting excessively large profit disparities using economic measures. The manifestation of the good winning and the inferior losing is also different from capitalist society. During competition an enterprise's small failures result in decreased profits and are expressed as less labor and fewer profits; large failures tend to weed out the inferior and are expressed as shutdowns, stoppages, mergers, and changeovers. Enterprise leaders have to assume economic and legal responsibility while staff and workers must also sustain some economic losses. However, under state uniform overall arrangements the situation is still far removed from that of capitalism with enterprise bankruptcies, suicides by business managers, workers becoming destitute and homeless, etc. Nevertheless competition still has relatively great coercive power. In the present phase of socialism, spiritual and material spheres still lack preconditions for communism, so to only emphasize conscious emulation while ignoring mandatory competition makes it impossible to effectively encourage advancement and spur on backward areas. It also makes it impossible to fully motivate the initiative of enterprise producers and managers. This is an undeniable fact of materialism. As a result, we must both promote emulation and protect competition. Although under socialist conditions they may not replace each other, they may supplement each other.

III. How To Handle the Side Effects of Competition

Every object can always be divided into two; therefore we cannot say that there is no bad side to competition. During the early phase of systems reform, work in all areas did not keep pace so it was not unusual for all sorts of errors and problems to occur. For instance, since 1979, market regulation has sprung up and competition has just emerged while problems such as enterprises engaging in technology blockades and regions "carving up the land into prisons," etc., have appeared. Technology blockades affect the rapid exchange and promotion of advanced products and technology which obviously are disadvantageous to economic growth. However, it must also be realized that in the past, technological inventions and creations lacked the protection of patents, which could not encourage advancement. The state should draft a "patent law" to encourage material and spiritual incentives for inventions and to facilitate the exchange and dissemination of goods. Enterprises could then transfer or concede patent rights for compensation. In this way we can protect competition both domestically and abroad which, in the final analysis, benefits economic growth. "Carving up the land into prisons," that is, severing economic relations between regions, is certainly not a good idea. The solution is to advocate unity. On the basis of accepting individual material benefits, it is necessary to voluntarily talk things over, ensure that there are mutual benefits, use all forms of compensation, praise each other's strong points and compensate for weak points, and fully develop the strengths of each area. In this way it will be possible to obtain even greater economic results.

In summary, during the process of stimulating the economy it is only natural that all sorts of problems crop up. As long as we keep abreast in our work, sum up experiences in a timely manner, and formulate the necessary policies and legislation, we can revive rather than stifle the economy.

Continuing to increase labor productivity is the fundamental guarantee that the socialist system will triumph over the capitalist system. In order to increase labor productivity, we must strengthen ideological and political work, continue to increase the socialist consciousness of workers and the masses, carry on the communist style of work and launch socialist competition of emulating each other, learning from each other, keeping up with each other, helping each other, and in turn surpassing each other. At the same time it is also necessary to make use of economic methods, encourage and protect competition, fully develop the initiative of managers and manufacturers, stimulate economic work, and seek even better economic results. Only if China's socialist economy is in this kind of "good shape" will it present a scene of prosperity and vitality.

4. Several Questions Concerning Distribution According to Labor [pp 199-205]

[Text] [Editor's note] This article was published on 21 March 1980 in GONGREN RIBAO. Some revisions and additions were made upon inclusion in this book. [End of editor's note]

The discussion launched by GONGREN RIBAO on "How To Motivate the Initiative of Staff and Workers" is essential. During the discussion many comrades talked about correctly implementing the principle of distribution according to labor, which is a key to motivating the initiative of staff and workers. However, there are many problems concerning how specifically to implement this principle in actual practice that must be explored and investigated. Below are some of my views on this matter.

I. It Is Not Possible To Simply Apply Marx's Classical Exposition

What is distribution according to labor? In general, we all consider Marx's discussion in his "Critique of the Gotha Program" as the classical interpretation. He said: "After each producer has made deductions he should reclaim from society all that he has given to it." He also said: "The rights of producers are in proportion to their labor; equality consists of measurement using the same yardstick--labor." (Footnote 1) ("Collected Works of Marx and Engels," Vol 3, People's Publishing House, 1972, pp 10-11, 11)

Marx's words illustrate the basic principle of distribution according to labor, that is, "the rights of producers are in proportion to their labor." However, today as we carry out distribution according to labor, it is still impossible to simply put these words of Marx into practice. Marx imagined that after implementing a system of public ownership, it would be possible to eliminate commodities and the commodity economy. Consequently, the actual labor of producers could be directly converted into social labor and, based on the amount of individual labor, they should receive their share from society. Present practice has proven that we cannot yet eliminate commodities. The "labor" in distribution according to labor is not the "labor" envisaged by Marx; it can only be calculated as average socially necessary labor. That is to say, an individual's labor must be reflected in commodities while the amount of labor that goes into commodities is only the average socially necessary amount of labor.

In highly socialized commodity production, individuals cannot directly provide labor results to society. The classics contain numerous discussions of the collective nature of modernized large-scale production. For instance, in his essay "On Authority" Engels repeatedly stressed this point. The replacement of joint activities by the "trend" towards independent activities of individuals as foreseen by Engels over 100 years ago has already become an even more striking and obvious objective reality following the development of modern science and technology.

The conversion of human labor into socially effective labor can only be expressed by having product use value. Once products are used by society, the labor inherent in the products is then acknowledged. However, in modernized production it is difficult for any one producer to say that a certain product was produced by "me." One can only say that it was collectively manufactured by economic units (enterprises) formed according to the social division of labor. Within enterprises an individual's labor only forms one part of the product; only by relying on all the workers in the enterprise is it possible to complete the whole product. Only in this way does individual labor become effective labor. Take for example the qualified semifinished goods from first line processing. If they are discarded during second line processing then the labor that went into the first line processing is tantamount to ineffective labor.

The above section has been concerned with the "quality" of labor but the same questions apply to the "quantity" of labor. The amount of labor recognized by society is naturally not specific actual amounts of labor but rather the amount of average socially necessary labor. Therefore, only through the total value of products handed over to society is it possible to measure the entire contribution made by enterprises to society. We cannot directly measure the individual's labor contribution.

Thus it can be seen that Marx's explanation of distribution according to labor can only be understood as a principle; it cannot be simply put into practice.

II. In Distribution According to Labor It Is First Necessary To Carry Out Distribution According to the Collective Contributions of Enterprises

In the historical phase of socialism the national economy still regards the enterprise as the basic economic unit. Enterprises should have some independence. If we change Marx's exposition on distribution according to labor so that each enterprise makes labor contributions to society, and after all deductions are made all that is given to society is returned from society, this would actually correspond to our current situation.

Our feeling that "it does not matter whether we do a good job or bad, it is all the same" is a form of egalitarianism which does not help stimulate initiative. However, what we should first attack is the lack of concern about doing good work among enterprises, and only then the problem of distribution among enterprises. At present the greatest weakness of the economic management system consists of enterprises "eating out of one big pot" and engaging in egalitarianism. The overall problem of distribution according to labor has not been resolved, but within enterprises there is distribution to individuals on the basis of labor. Apparently we have put the cart before the horse. The reason for this is that we have simply used the principle of distribution according to labor to carry out distribution according to the size of individual labor contributions. We have disregarded the fact that individual labor is only transformed into social labor through enterprise products (or labor services). Thus we have also failed to consider the problem of first carrying out distribution according to the size of the collective contribution of the enterprise.

Society's implementation of distribution to enterprises according to labor is primarily manifested in the distribution of gross wages plus profits by enterprises. The profits of socialist enterprises differ from the profits of capitalist enterprises. Regardless of whether the method of profit sharing or paying income tax is adopted, both involve distribution between the state and enterprises. The portion handed over to the state is what Marx called "deductions." Enterprises do not receive all the profits; whatever an enterprise receives is directly linked to the quality of production management and the results obtained. Under the readjustment and control of the state, the amount earned by enterprises generally reflects the proportion of the enterprise's labor contribution to society. Thus we may say that it is a form of distribution according to labor.

The working class is characterized by its sense of organization and discipline and its spirit of collectivism. The emergence of such a character is inextricably linked to the modern socialized mode of production in which workers participate. The individual interests of staff and workers and the collective interests of enterprises are interlinked and determined by modern socialized mode of production. First carrying out distribution according to enterprise collective contributions leads to staff and workers being concerned about the labor results of enterprise collectives. This concern will be of help in strengthening the collectivist thinking of staff, workers, and the masses. This collectivist thinking is also inevitably a step toward cultivating communist ideology. If we ignore distribution to enterprise collectives on the basis of labor and are only concerned with distribution to individuals within enterprises according to labor, this will cause workers to only be concerned about individual, not collective results. This, in turn, would be disadvantageous to the development of enterprises and to consolidating and developing collectivist ideology.

III. During Distribution According to Work Within Enterprises It Is Also Necessary To Stress Distribution According to the Labor Contribution of Small Collectives

Individuals cannot directly contribute labor to society, nor can society directly carry out distribution according to individual labor. Thus is it possible to carry out distribution totally according to individual labor within enterprises? This is not entirely possible.

First of all, it is very difficult to accurately measure the amount of labor performed by an individual; at best we can only approximate. It is generally acknowledged that a wage scale is one form of distribution according to labor. In fact, the differences among wage grades mainly reflect approximate differences in the work capacities of workers, not the quality and quantity of work actually done during a particular year or month. Theoretically, piecework wages are better able to reflect the quality and quantity of work actually done, but this method of piecework cannot really be adopted for all work.

Next, because labor is highly socialized, the quality and quantity of labor performed by an individual similarly cannot be completely measured by the labor results of that individual. Take piecework wages for example. A producer fulfills production norms for a specific quality and quantity. Besides that individual's ability and amount of labor expended, there are many other external factors involved such as whether the equipment is easy to operate or whether a mechanic is needed; whether tools, cutting tools, etc., are ready and usable, which is determined by the manufacture of tools and the labor of administrative personnel; whether raw materials, semifinished products, and semimanufactured goods are adequate, which is determined by the quality of material supply work and the collaborative work in first line work process; whether production can proceed without interruption, which is determined by the perfection of the production structure and management work, etc. Consequently, it does not fully correspond to reality to give full credit to an individual for individual labor results in large-scale socialized production.

Following developments in automation and combined action production technology, the continuity and integration of production has increasingly improved. A producer with automated production lines of course has no way of distinguishing or measuring individual labor results. The production work assistance and services rendered by the entire workshop are frequently closely linked and cannot be separated.

Lastly, a new problem has arisen in the modernization of production technology: the role of intellectual work is expanding. On the one hand, there has been a relative decrease in workers on the first line of production while on the second line of production there has been a relative increase of departments engaged in auxiliary work and an increase of technicians on the third line engaged in scientific research, experimentation, design and technology, and of production organization administrative personnel. On the other hand, the proportion of intellectual work even for first line workers has increased. Measuring the results of intellectual work and the quality and quantity of intellectual work is even more difficult than measuring physical labor.

From the above it is apparent that in order to implement distribution according to labor within enterprises it is necessary to determine compensation completely according to the size of individual expenditure of labor. In reality, this is difficult to do.

Such being the case, can there only be egalitarian distribution within enterprises? Of course not. The primary means for resolving the above-mentioned contradiction is to stress distribution within enterprises according to the labor contributions of small collectives so that individual material interests not only are linked to the business results of enterprises but also to the labor results of small collectives (administrative offices, workshops, workshop sections, teams and groups, production lines, etc.).

To sum up the above, in order to implement the principle of distribution according to labor within enterprises, it is necessary to interlink individual interests of staff and workers to collective interests. The source of individual interests of workers can roughly be seen in these three areas:

1. Distribution in which basic wages are obtained based on individual work capacity and according to the grade stipulated. This is an important part of distribution according to labor.

2. Actual distribution in which living wages are obtained based on the quality of enterprise business results which determine the level of living wages (including awards, year-end bonus sharing, etc.) and based on the extent of individual or small collective contributions. This is also an important part of distribution according to labor.

3. Based on the quality of enterprise business results, different levels of collective welfare benefits are enjoyed (including housing, welfare benefits for chilren, recreation, etc.). Although these benefits are not directly linked to individual labor, they are obtained when society carries out distribution to enterprise collectives according to labor. Thus this is also an important part of distribution according to labor.

The major part of these above three interests comes from collective results. It is necessary to encourage workers to not only work hard to increase individual capacities but also to be concerned with the collective so as to strengthen internal unity and cooperation and to strive to improve collective results.

When society implements distribution according to labor in enterprise collectives and enterprises also implement distribution to workers according to labor, this causes workers to care about collective and individual labor results in terms of material benefits. At the same time, we should also guide workers and the masses to be concerned with state interests. To this end, it is necessary to strengthen the ideological and political instruction of workers and to carry out the necessary reform of the economic management system. The state must directly bear the costs of some social insurance and welfare benefits and, in keeping with national economic growth, continue to upgrade the level of these welfare benefits. In this way it is possible to ensure that staff and workers better acknowledge the unanimity of the three interests--the state, the collective, and the individual--and improve their socialist awareness so that they consciously make greater contributions to the state.

5. Distribution According to Labor and the Wage System [pp 222-258]

[Text] [Editor's note] This article was presented by the author on 24 November 1981 to the "National Labor Wage Research Group" held by the State Central Labor Bureau. [End of editor's note]

The topic under discussion is distribution according to labor and the wage system. There are theoretical considerations concerning this matter as well as actual experiences, particularly the former. I will neither discuss wage theory nor devote myself to practical work in labor wages. I am not qualified to speak of this either in terms of theory or practice. Everyone may read my article, "Several Questions Concerning Distribution According to Labor," published by GONGREN RIBAO in 1980, and my later article, "A Look at the Principle of Comprehensive Material Interests," also published by GONGREN RIBAO. These two articles aroused the interest of numerous grass-roots level comrades. Since at that time wages were being restructured and these two articles discussed the very question, much interest was aroused. Although reactions were relatively strong, this does not mean that the articles contained any remarkable truths or proposed programs with great practical significance. I have merely kept abreast of the tide. There were those in theoretical circles who wrote articles discussing my views. Some said that they strongly approved of my ideas on wage reform but that my theories merited some discussion. I feel just the reverse. I feel that my suggestion concerning the wage system is only a tentative proposal and not necessarily fully geared to reality. I feel that comrades here today could recommend even better plans for reform.

There is, however, some justification for my opinions. Of course, I am not a specialist on distribution according to labor and I have not made an overall in-depth study of the writings of Marx, Engels, Lenin, and other classical writers. Moreover, it is not possible to go into much detail on theory in a short article, particularly when it concerns distribution according to labor. There is much controversy over many questions, so it is necessary to go into some detail on my own opinions and this requires quite a bit of space. Nevertheless, the problem I mentioned, that one cannot merely focus on distribution according to labor to the individual, is a very real problem.

Theories must be able to answer real problems. I have not yet had the time to write a response to those several articles that discuss my ideas. However, real life has provided convincing answers on my behalf. In 1981 the system of economic responsibility was promoted everywhere in order to resolve the two problems of "one big pot." The essence of this system was to resolve the problem of the two levels in distribution according to labor. Furthermore, actual practice has shown that even within enterprises it is not possible to completely carry out distribution directly according to individual labor. Each enterprise has created many methods of distribution according to labor which put the collective first and the individual second. This has been necessitated by objective reality. We are here today to carry out discussions. This is very good, for I now have the opportunity to go into a bit more detail on my own unformed opinions. We are all senior comrades, we have had rich practical experiences and done specialized theoretical research. I hope you will help me figure out where I am mistaken and where I am correct. Thus, I basically will not present a report but rather offer a few remarks in the hope that you will offer your valuable opinions! I will present some opinions so as to solicit your ideas and, on this basis, I am here today to deliver a talk.

I. The Socialist Distribution System

Distribution is a major link in our overall socioeconomic life. Different social systems have different distribution systems. In a certain sense a distribution system is often an important indicator of different social systems. Distribution refers to distribution in the broad sense; it involves distribution of the means of production as well as the means of subsistence. According to various theories of Marxism, production distribution determines the distribution of consumer goods. Distribution according to labor is just such a link; it refers to distribution of the means of subsistence.

We believe that the distribution system is often an important indicator of a social system. In terms of our socialist system, this is quite obvious. What characteristics does a socialist society possess? We could discuss many different areas, but there are at least two indicators of a socialist society: the system of public ownership and distribution according to labor. In reality the system of public ownership implies distribution of the means of production. A capitalist society has a system of private ownership and the means of production are completely owned by individuals. In the socialist system of public ownership the means of production are owned by all the people or by the collective. This is essentially a question of distribution of the means of production. Distribution according to labor refers to distribution of the means of subsistence. According to Marxist economic theory, the distribution of the means of production determines the distribution of consumer materials. Therefore, if the means of production are privately owned, there cannot be distribution according to labor. There must first be distribution on the basis of capital. Theoretically, this capital must be distributed according to the average profit rate and amounts of capital involved. Of course, in actual distribution, because of competition and other reasons, there may be unequal suffering and joy, the inequality of suffering and joy within capital. Under such conditions the labor force is a commodity, as workers and employees consider their own labor a commodity. Exchange is carried out according to the market price and capital of the labor force in order to obtain distribution of a share of products. After the means of production has changed to the system of public ownership, it is possible and inevitable that the method of distribution according to labor be adopted. Of course, when a communist society comes about in the future it will change to distribution on the basis of need. In the socialist phase we must still adopt the method of distribution on the basis of labor.

Today we must explore distribution according to labor. That is, how are the consumer goods produced by society ultimately to be distributed? This question is essentially inseparable from the overall distribution system; we cannot discuss it in isolation. We clearly run into this question in our current initial experiences in carrying out system reform. Distribution according to labor necessarily involves other distribution questions. For instance, we frequently bring up the question of correctly handling the three interests of the state, the enterprise (collective), and individual staff, and workers. What does this issue involve? Basically, this is a question of how to make the entire distribution system more rational.

In my two 1980 articles I suggested that distribution according to labor be divided into two levels: first, carry out distribution according to labor among enterprises to solve the problem of enterprises eating out of "one big pot"; second, carry out distribution according to labor within enterprises to solve the problem of employees eating out of "one big pot." Some comrades in theoretical circles believe that among enterprises the problem is exchange of equal value, not distribution according to labor. The problem of distribution according to labor exists only among staff and workers. There is some basis for this view. Naturally the problem of equal value exchange exists among enterprises. My enterprise produced a machine tool and sold it to another enterprise. According to the principle of equal value exchange, my enterprise should have received payment (assuming that the price was reasonable and the price and value of the machine tool were equal). This payment would constitute the enterprise's sale income. If it is a privately owned enterprise, once the act of equal value exchange has been completed, it is practically as if distribution has been out. Since capitalists make use of wages and the labor force of workers to carry out equal value exchange, production costs are deducted from income from payments and the remaining profits are distributed into their pockets. Comrades who maintain this view have forgotten that the net income realized by our socialist enterprises, particularly state-owned enterprises, does not entirely belong to the enterprise. It must be distributed between the state and the enterprise. As for the current procedures in system reform, a share is delivered to the state through the method of tax revenue and profit delivery while another share is retained by the enterprise. This share retained by the enterprise, "profits," is further divided into the production development fund, the collective welfare fund, the bonus fund, etc. One portion of these funds is still owned by the state but the enterprise has allocation rights; the other portion is transformed into income for individual staff and workers. The principle we are presently observing is that not only must the income of individual staff and workers be linked to individual labor results, it must also be connected to the enterprise's overall production results. That is, it makes a difference whether the enterprise does well or badly. If an enterprise does well workers should receive more income. This no longer involves the matter of equal value exchange, then, but rather distribution. Consequently, once there is equal value exchange between enterprises, the question of distribution remains.

During system reform, regardless of whether profit sharing or profit contracts are implemented, the difficult problem of "unequal suffering and joy" will occur. What is the meaning of "unequal suffering and joy?" If we say that doing well or badly should make a difference, then this means that unequal suffering and joy is rational. So, those who do well should be joyful and those who do badly should suffer. At present unequal suffering and joy refers to enterprises which are on a par in terms of subjective effort. Some may obtain higher profits and some lower to the point that wide disparities may exist. This phenomenon is considered irrational and unequal suffering and joy. In capitalist enterprises this phenomenon is basically not a problem. On the contrary, every capitalist hopes that he will obtain superprofits that surpass the average profit rate and even hopes to reap colossal profits. What he seeks is personal joy at the expense of the suffering of others. We require that doing well or badly makes a difference and oppose the latter sense of unequal suffering and joy. Thus, wherein lies the problem? It lies in seeing to it that the profits obtained by enterprises are consistent with the extent of their subjective effort. What is the extent of an enterprise's subjective effort? It is simply the amount of labor contributed by an enterprise as a whole to society (including the quality and quantity of labor). How specifically to measure the amount of labor is a problem that needs to be studied. In principle, we are now introducing the problem of distribution to the enterprise as a whole according to labor.

When Marx discussed distribution according to labor he said that it was first necessary to make "deductions," namely, first deduct the portion handed over to the state (on behalf of all workers) and then carry out distribution among individual workers. However, he never explained the criteria for this deduction. How much should be deducted and how much retained? Another question has been raised by actual practice, that is, how to rationally handle the distribution of profits between the state and enterprises.

The problem of distribution has been discussed in the field of political economics. It is believed that there are two instances of distribution of national income under a socialist system. The first instance of distribution (initial distribution) takes place within material goods production departments and constitutes the original income of the socialist state, the collective economy, and production department workers. The second instance of distribution takes place later with distribution of national income (redistribution). Income is used for construction investments, to establish social welfare undertakings, and for expenses in culture, education, public health, national defense and administrative management, the wages of nonmaterial production personnel, etc.

From our practical experience it can be seen that there has been some change in these two distributions and the way they should be implemented on paper. The first instance is distribution between the state and enterprises; the second is redistribution. Not only must there be redistribution of national income but also redistribution of enterprise income among employees. The principle of distribution according to labor must be applied to the distribution of the means of subsistence during these two instances of distribution.

In the first distribution, distribution between the state and enterprises, it is nececessary to embody distribution according to labor to the enterprise as a whole. That is, it is necessary to ensure that enterprise earnings (this refers to that share which is used for individual worker or collective consumption such as wages, bonuses, welfare expenses, etc.) are consistent with the quality and quantity of labor expended by the enterprise and to overcome the phenomenon among enterprises of eating out of "one big pot." During redistribution or distribution within an enterprise, the share of nonproduction personnel income must also conform to the principle of distribution according to labor. To this end, the principle of distribution according to labor should be reflected in the overall socialist distribution system and not only be limited to distribution among individuals within an enterprise. Furthermore, society's distribution to enterprises according to labor should still be the prerequisite for distribution according to labor within an enterprise.

II. Society's Distribution to Enterprise Collectives According to Labor

Is it possible to ignore distribution to enterprise collectives according to labor and only focus on distribution to individual workers? I believe that experience has proven that this approach entails numerous problems. Since we acknowledge that under a socialist planned economic system it is still necessary to have commodity production and to apply the law of value, then theoretically, it makes no sense to try to depart from commercial successes and go on to directly measure individual labor expenditures to society. In practice this would inevitably give rise to numerous contradictions.

The article I published in 1980 in GONGREN RIBAO raised one issue. Marx's exposition on distribution according to labor is correct as an elaboration of a principle but, in terms of specific descriptions and methods, it requires further exploration. Based on his statements on distribution according to labor in his "Critique of the Gotha Program" and according to his argument, each individual provides a certain amount of labor to society, and once all of society's demands have been deducted, a proportionate amount of labor is recovered from society. I have proposed a different view of this point. I am not trying to be different merely for the sake of being different, but rather because if we simply follow this idea in actual practice, we will find numerous contradictions. We are Marxists and as such endorse the fundamental tenets of Marxism. Nevertheless, we cannot accept that everything Marx said is absolutely accurate in any given context. Real life is ever-changing, and thus we should proceed from real problems to explore and understand the spiritual essence of the fundamental tenets of Marxism. The actual wording may be revised and supplemented.

In general, when we discuss distribution according to labor and its definition we primarily cite Marx's statement in his "Critique of the Gotha Program": "After each producer has made deductions he should reclaim from society all that he has given to society. What he has given to society is his individual labor." (Footnote 1) ("Selected Works of Marx and Engels," Vol 3, People's Publishing House, 1972, pp 10-11) These lines explain that under socialism, that is, the early stage of communism, the distribution of the means of subsistence among individuals must be linked to their labor. Of course, it is not possible to return all the labor results of an individual to that individual. It is necessary to set aside some of it to satisfy the needs of society, including state management, social welfare, etc. Therefore, it is necessary to make deductions, and that remaining portion is distributed proportionately according to the different amounts of labor expended. For every unit of labor expended, an individual should reclaim a certain proportion of that unit of labor, not the entire unit of labor. Thus the general tenet is entirely correct.

Nevertheless, there is a problem here. Marx spoke of workers claiming from society all that they have given to it. This means that "expended" and "reclaimed" are the direct actions of individuals against society. This point merits further discussion. At that time Marx imagined that after implementing a system of public ownership, commodities would be eliminated and the concrete labor of workers would become direct social labor. Practice has shown, however, that a socialist society must still implement commodity production. Society must acknowledge the average socially necessary labor inherent in commodities. It is not actual labor. Moreover, large-scale socialized production differs from small commodity production in which individual labor may be directly provided to society and later directly recovered from society. To be sure, today we still have some self-employed workers such as door-to-door shoe repairmen. They come to repair shoes upon request and receive money for their work. They provide labor directly to society and receive compensation directly from society. This is simple, individual labor. At the present time most production is large-scale socialized production. As Marx and Engels emphasized in many places, in socialized large-scale production, who can say whether "I" produce this product or not. For instance, we cannot say which specific person manufactured the amplifier and thermos in use right here. Both are the end products provided to society after socialized, collective, and shared labor. Consequently, when implementing commodity production under conditions of large-scale socialized production, it is very difficult to change individual labor directly into contributions to society. Still, these words of Marx currently have a great impact on us as we actually implement the procedures for distribution according to labor. Our current methods are based on this statement; therefore, the very mention of distribution according to labor refers to distribution to individuals. If we measure individual labor according to overall norms and then determine compensation according to the amount of labor expended, one can see that an intermediate step is missing. Individual labor must coalesce into collective labor results and it must be measured according to average socially necessary labor. Only then can individual labor become valid labor recognized by socity, and only then can the individual receive his due compensation from society.

Some comrades cite Marx's statements made elsewhere. For example, he stressed that numerous individual labor efforts be used as one social labor force. They use this to show that Marx regarded the labor force not in isolation but rather as a component part of the social labor force. I believe that during the commodity production and exchange that we still implement

implement today, if labor expended by individuals directly constitutes a part of overall social labor, for instance if today I worked 8 hours and regardless of results I am recognized as part of overall social labor (for example, workers throughout the country work 4 billion hours), then we have actually become a communist society which disregards commodities. As a communist society does not engage in commodity production, it would not be necessary to have distribution according to labor but rather according to need. There would be no necessary direct connection between the distribution of the means of subsistence and the amount of labor expended by individuals. At that time the concept of value may still exist as a means of calculating labor but, according to the current concept of value, it will no longer exist. Therefore, at that time when we directly expend 8 hours of labor it is equivalent to 1/500-millionth of the 4 billion hours put in by all society, and we may directly calculate the amount of labor as a part of overall labor. Can we do this at present? No, we cannot. At present, can we say that if you work 8 hours it is acknowledged that you created 8 hours of value? That is similar to what Marx said somewhere else: the most clumsy carpenter can create the highest value. If the average socially necessary labor for one chair is 4 hours and today I spent 8 hours making one, then I have contributed 8 hours to society. In a communist society perhaps one may say that because each labor effort is one part of a total labor, 1 hour of work is a contribution of 1 hour of total labor. With our current commodity production we cannot look at labor in this way; it is necessary to measure it according to average socially necessary labor.

In his "Critique of the Gotha Program" Marx said: "The same principle is in effect here as in commodity equal value exchange, that is, a certain form and amount of labor may be exchanged for the same amount of labor of another form." (Footnote 2) (Ibid., p 11) However, this "amount" that he mentions is the amount of labor that is considered to be a direct part of society's total labor. In today's society this is impossible. At the same time, herein lies the answer to the question that has come under much discussion, namely, what does the term "labor" in distribution according to labor refer to? This has been discussed at several conferences on distribution according to labor. Based on the above, I believe that the "labor" in distribution according to labor first of all refers to abstract labor, not concrete labor. Different forms of actual labor are involved when a carpenter makes a chair, a blacksmith forges iron, or a machinist makes a machine. In theory, however, we can suppose that he expends a certain amount of abstract general labor. This is a fundamental principle of Marx's from his analysis of commodities. Next, how is the amount of abstract labor measured? According to Marxist economic theory, abstract labor is calculated using time. There is still the problem of "quality" of labor. We must differentiate between simple and complex labor, ordinary labor and intensive labor. One hour of complex labor may be equivalent to 2 or even 3 hours of simple labor and 1 hour of very intensive labor may be equivalent to 2 or 3 hours of less intensive labor. After converting quality into quantity, quantity may be calculated using time. What is this time? We cannot say that actually doing x number of hours of work is equivalent to x number of hours. We can only make calculations according to average socially essential labor, that is, necessary time.

What then is the "labor" in distribution according to labor? Average socially essential labor time. This time is manifested in the value of a commodity. Of course, commodities also have an actual price and price is not necessarily equivalent to value. It may be either higher or lower than value but that is another question altogether. How are we to understand average socially necessary labor? A capitalist society depends upon market competition for regulation and on the natural occurrence of large volumes of spontaneous exchange. How about a socialist society? Since a socialist society must still carry out commodity production, socially necessary labor time basically must rely on the market. However, we also have a planned economy so that our competent economic departments can adopt methods such as surveys, statistics and comparisons and, according to the law of value, consciously set down some prices and ensure that these prices correspond as much as possible to value and to average socially necessary labor time. But what does average socially necessary time refer to? I believe that first of all it refers to all commodities. It is very difficult to directly pinpoint the average socially necessary labor time for all the parts and labor that go into commodities. For example, relatively precise data on the labor that goes into a machine and the average socially necessary time may be found by means of statistics. As for a certain part for a machine such as an axle, it is only manufactured after going through a crude lathe and a refined lathe and then such processes as grinding. Is it possible to figure out the average socially necessary time for the crude lathe, the refined lathe, and grinding? Theoretically, this is not absolutely impossible. However, the scale of production throughout the country is so large. The variety of products so great, the number of parts so numerous, and the manufacture of each part requires so many processes, that realistically it is not possible to calculate the average socially necessary time for each process using statistics.

The common characteristics of some production processes are quite numerous. For example, textile production processes are basically the same so it is possible to determine the average national standard for each process and position. For most industrial products it is still necessary to regard the end product as the commodity and the result of collective labor and use it to represent the socially necessary labor time expended by this collective for society. This means that regardless of the number of people in your factory and regardless of the actual amount of labor time spent, society can only measure the labor supplied by this factory collective according to the quality and quantity of the product produced and according to the socially necessary time of the unit product. For instance, manufacturing a diesel engine requires an average of 500 man-hours. Your factory actually spends 600 man-hours, yet it is accepted that you supplied society with 500 man-hours of labor. Another factory spends 400 man-hours manufacturing the same kind of diesel engine, that is, 400 man-hours of real labor. They have supplied society with 500 effective man-hours. A measurement of the amount of labor expended for society based on the end product is actually the net product value of the product. Some of this labor may be measured by statistics and some may not, so it is also necessary to rely on market regulation.

To sum up the preceding ideas: the "labor" in distribution according to labor refers to average socially necessary labor. To measure this necessary labor we must measure the labor result, that is, the final commodity. Consequently, in distribution according to labor, it is first necessary to measure the labor results of enterprise collectives and carry out distribution to enterprises according to labor. However, another problem emerges at this point which was also touched upon at the conference on distribution according to labor: Is it possible to measure the amount of labor or the size of the labor contribution totally based upon the labor results? The extent of labor productivity does not depend only on the efforts of workers, it is also affected by technological conditions and the situation regarding natural resources. The technological facilities in some plants are quite advanced and productivity is high, while in others technological facilities are obsolete and productivity is low. There is also the situation regarding resources such as the mining of coal and the extraction of oil: if conditions are favorable, it is easy to extract resources, and if not, it is very difficult. Because these objective conditions outweigh the average income made by socially necessary labor, we call it "graduated income." Under a socialist system, because the means of production, particularly resources, are publicly owned, some of the workers do not possess all of this graduated income. There must be regulatory measures for specific amounts and once they are deducted product results can then reflect the labor expended by the enterprise for society. How to advantageously adjust this graduated income so that this can reflect the results of the enterprise's overall labor is a major difficulty that we encounter daily in real life.

During system reform the problem of "unequal suffering and joy" has been encountered in the implementation of profit sharing and the economic responsibility system and in the contract system. The first major cause for this phenomenon of unequal suffering and joy is irrational prices which have appeared over the years, and the second is this problem of graduated income. Some provinces and cities, particularly Sichuan, have experimented with substituting taxes for profits and assuming responsibility for profits and losses as well as adopting the method of an adjustment tax to regulate the unequal suffering and joy created by prices and graduated income. As for the problem of prices, the future reform of the pricing system will gradually make prices more rational. Only by adopting a property tax and a resource tax will it be possible to further readjust the problems of graduated income. By summing up experiences it is possible to find a way to specifically determine these adjustment taxes.

A product, if the price is rational, can reflect its total value. It is the net product value that remains after deducting material expenditures (previous materialized labor). After once more deducting the influence of some objective factors, what remains may reflect the labor expended by this enterprise collective for society. Should the enterprise collective fully recover from society this portion of labor income? No. According to Marx's principle of distribution according to labor, it is first necessary to make all "deductions," that is, to distribute this labor between the state and enterprise collectives.

Under a capitalist system the newly added labor created by staff and workers is distributed between workers and capitalists. Workers can only obtain wage income based on the market price of the labor force. The rest is considered surplus value belonging to capitalists and is divided up among several exploiting classes. Capitalist enterprises also pay taxes to the state, but it is essentially quite different from the "deduction" we have been discussing. We have a system of public ownership and have eliminated exploitation; therefore, the new labor value created by workers in part belongs to the individual and in part is handed over to the state through taxation or profit delivery. Furthermore, the portion received by the state, in addition to being used for expenditures on public works, is also used for construction. Some of it is also used as the social welfare reserve fund, etc. to benefit all working people. Therefore, in general, workers all work for their own sakes. However, first deductions must be made in the process of distribution. This is called the first distribution in political economics. Then, the state and the enterprise must carry out redistribution. The enterprise collective has supplied society with labor and after making deductions the remainder should be in proportion to the size of the labor contribution. Similarly, it should embody the principle of more gains for more work and fewer gains for less work. Following this, the second distribution is carried out within the enterprise from small collectives down to individuals.

What does this aforementioned portion of labor owned by enterprises refer to? We say that the more the state takes in, the more the enterprise retains and the more the individual receives. Does the portion that is "retained" in the profit retention currently in effect refer to this distribution discussed above? No. The "retention" that is currently in effect includes production development funds, collective welfare funds, bonus funds, etc. Of these, only the portion which may be directly converted into individual worker or collective expenditures is the aforementioned distributed portion. Moreover, wages which are not included in retention also come under the distributed portion mentioned above. At present, when we speak of profit retention, profit contracts, etc., we often simply say that the share retained by the enterprise is enterprise "profits." This is a vague and ambiguous concept. Many contradictions currently exist in the retention system and I believe this is strongly related to the confusion over this concept. Only by clarifying distribution relationships in theory is it possible to resolve these contradictions in the retention system.

As all those who have studied political economics know, in Marx's analysis of capitalist commodity production he divided commodity value W into c, v, and m. c represents materialized labor, that is, the depreciation of equipment, raw material compensation, etc. Thus, this is the reflection of previous labor in product value. At present new labor is broken down into two parts: One part is called v and it refers to workers' wages. Capitalists exchange this with workers according to the value of the labor force. The rest is known as profits and it is the surplus value that belongs to capitalists. The value of a commodity is generally made up of these parts. We currently have a socialist system and naturally we cannot continue to use these concepts, but numerous accounting methods actually continue to use this formula. For example, in computing the cost of production, c and v are still added to determine cost; thus cost includes wages. The remainder m, what we call profits, in the past belonged to capitalists, but no longer. Prior to system reform this portion was basically handed over to the state. In order to make a distinction from capitalism, the definition has been changed somewhat. We define v as "labor on behalf of the individual" and m as "labor on behalf of society." In reality we have not resolved the problem of making an essential distinction. With system reform contradictions have appeared and m has had to be divided up: part goes to the state and part is retained by the enterprise. So, is the part retained by the enterprise "labor on behalf of the individual" or "labor on behalf of society?" It is hard to say. c, v, and m are all economic categories of capitalism that cannot be fully and indiscriminately applied under a socialist system. If we apply them, their meaning changes completely. Some comrades have raised a question: Does the economic responsibility system that is currently in effect involve distribution according to "labor" or according to "profit?" This question is appropriate. The contradiction is in the word "profit." Below I will discuss my own views.

We still use the term profit but its meaning certainly differs from capitalist profit. In implementing profit sharing part is given to the state and part retained by the enterprise. If we were to apply the old concepts, m would be divided into two parts. One part, m_1, is assigned to the enterprise and one part, m_2, is delivered to the state. For example, the state gets 90 percent and the enterprise 10 percent. However, there are many ambiguities here. If we take out part of m_1 retained by the enterprise for bonuses it changes into v. If still another part is taken out for the production development fund to carry out excavation, renovation, and transformation, it becomes a fixed asset and changes into c. Therefore, the concept behind m is very vague. We now have to study distribution according to labor. What actually is the amount of "labor" produced by an enterprise? How much is to be "deducted" for the state? How much remains after deductions? It is difficult to answer these questions using c, v, and m. Is the part remaining after deductions m_1? No. v is also the part acquired by staff and workers. As we currently carry out distribution according to labor can we only focus on v and only focus on wages? No, that is not possible. The more I work the more I earn, and if the enterprise is successful, it may redistribute some earnings so once again I may gain some advantage. However, when calculating cost, wages are fixed and unchanging. In Sichuan there are some plants that are implementing substituting taxes for profits. They have taken a step forward and included wages and bonuses in profits. I think that they have actually found a practical way out. In this approach a new cost concept arises. Cost is primarily c; that is, after compensating for consumption of fixed assets, raw materials, and other materialized labor, the remainder is "net output value." When there are rational prices net output value may reflect the new value supplied by an enterprise to society. If we continue to use the categories of c, v, and m, then net output value equals v + m, and if we add national net output value, it equals national income. National income also includes v and m. This kind of differentiation should first be made conceptually. Then the state must carry out distribution among enterprises. In terms of the categories of c, v, and m, m may represent the part distributed to the state. It should include taxes and profits and because of this, it is not wise to call m profits, rather we should call it national income. v then is enterprise income but it refers to the gross amount of the expenditure reserve fund which is converted into expenditures of staff and workers. It includes wages, bonuses, and various welfare expenditures but excludes the welfare construction fund, i.e., hostel construction. It is still a fixed asset of the state enjoyed by staff and workers but it does not belong to staff and workers, so it requires separate handling. This v is a new concept. Under a capitalist system v refers to wages and is determined by the price of the manpower market. The market price fluctuates, sometimes it is high and sometimes low. When the market is thriving, workers are not easy to find and the cost of labor is very high, but when there is a slump, more and more workers are unemployed and labor is cheap. However, in overall product value, since v is like c in that it is a constant amount, it can be compared to raw materials. Its price may rise or fall. But, as a relatively constant factor included in cost, the remaining surplus value m is all considered v. The situation is different under socialism. v should not be a constant amount. Since our workers are not employed workers, manpower is not a commodity. v is self-produced and after the value produced is deducted according to a certain proportion, the remainder is distributed to individuals. Only in this way is it possible to conform to the principle of distribution according to labor. The amount of labor provided to society is v + m and, after deducting m, the remaining v is recovered. Therefore, when I work well v is large and when I work poorly v will be small. This kind of distribution is distribution according to labor not according to profit.

We are now implementing enterprise profit retention. The part retained is not completely for individual consumption. A large part of it is used to expand reproduction and increase welfare facilities. This part is not v, it is still owned by the state. The enterprise only has allocation rights, not ownership rights. At present this concept is vague. That part that is retained includes both the funds for individual consumption and the part retained for expanding reproduction and welfare facilities. Both are considered enterprise profits. Not only is this inconsistent with the concept of distribution according to labor but it also contradicts the essence of the system of ownership. After implementing profit retention the fixed assets formed by the establishment of the production development fund, known as enterprise "independently controlled capital," have increased over time. What system of ownership do we have? If this capital is handled in such a way, there will be problems in the long term and in the whole social system. The production development fund is to be allocated by the enterprise but the fixed assets still belong to the state. In reality, it is redistribution of state income m. Part of state income m goes for expanding the accumulation of reproduction, namely, the capital construction fund. Part of this fund may be handed over to the enterprise which can make allocations for utilization. The amount distributed by each enterprise may be related to enterprise business results but it is not considered v in enterprise loans. The part of the collective welfare fund that is used for construction of welfare facilities (such as construction of hostels, hospitals, etc.) is also the redistribution of state income m which is used for welfare construction funds. Part of this is handed over to the enterprise which can make allocations independently. Once construction is completed it still belongs to the state but is used by the enterprise. Moreover, there should be utilization with compensation, that is, a hostel must pay in depreciation to the state. As for enterprise housing subsidies for workers, that is considered a welfare expenditure and comes under the category of v. Based on the principle of distribution according to labor, v refers to what is really owned by enterprise workers, that is, v is the means of subsistence or labor services that may be distributed to individual workers or for collective enjoyment. It is this part that is the true profit of enterprise staff and workers. The rest still comes under the category of "deductions" and not under the category of distribution according to labor. Such questions of theory require accurate answers.

Precisely because there are such views as the ones mentioned above, I developed a view of two levels in distribution according to labor; that is, in distribution according to labor there must first be distribution based on the enterprise and then distribution based on the individual.

III. Distribution According to Labor Within an Enterprise

Distribution within an enterprise involves the overall wage system; it is an extremely complex problem. I am really not qualified to discuss how to reform the wage system, I can only present my views concerning the principle of distribution according to labor.

Based on the principle discussed above, in distribution according to labor it is first necessary to carry out distribution to enterprises. This means that after deductions are made from the newly added labor of enterprise workers, the remainder should become enterprise income. This income (v) belongs to all staff and workers in the enterprise. It is equivalent to the net output value of the enterprise. The nature of the amount remaining after subtractng taxes and profits handed over to the state differs from the concept of the wage system currently in effect. It consists of the enterprise expenditure reserve fund and includes the entire means of subsistence (or labor services) which can be used by individual workers or the collective.

I believe that in the restructuring of the wage system it is not only necessary to look at wages, bonuses, and other concepts currently in effect, but comprehensive consideration must also be given to how to carry out distribution of this "enterprise income" within an enterprise.

The 3d Plenum of the 11th CPC Central Committee raised the matter of system reform, and during the past several years of actual practice enterprise autonomy has begun to expand. I believe that this step is correct. The enterprise is not only a place where productive forces directly exercise their functions, it is also the concrete manifestation of production relations. If we say that the chief characteristics of socialism are the system of public ownership and distribution according to labor, then these two characteristics are both reflected in the economic cell known as the enterprise. Of course, system reform should consider this as its basis, define its characteristics and its active model, and then proceed from this basis to establish a completely corresponding higher level and a system of macroeconomic control.

What is the nature of enterprises under a socialist system? There has been a major theoretical breakthrough after these past 2 years of investigation: It has been recognized that socialism still needs commodity production under a planned economy. Consequently, a socialist enterprise inevitably comes under the guidance of a national planned economy with relatively independent commodity producers. The term "relatively" is the key word here. Our enterprises differ from those under capitalism, which possess absolute independence. Relative independence means that an enterprise can only exercise independent management, independent accounting, and assume responsibility for profits and losses within the sphere permitted by state laws and under the guidance of state plans. The chief point about relative independence is that it has relatively independent economic benefits.

How are the relatively independent economic benefits expressed in concrete terms? During the experiment of system reform the methods of profit sharing, profit contracts, etc. were adopted. But, just as I mentioned earlier, due to the influence of outdated concepts, these methods failed to clearly distinguish the limits of the relatively independent economic benefits of enterprises. Only by implementing distribution according to labor in enterprises is it possible to clarify this problem. The so-called relatively independent economic benefits refers to the newly added labor created by enterprises under conditions of rational pricing. It is distributed between enterprises and the state. The part retained by the enterprise must be in proportion to its collective labor contribution. If the results of enterprise production are good, the enterprise will receive comparatively higher profits. This is the principle of distribution according to labor, more work more profits, less work fewer profits, and no work no profits.

As for how this share of income received by the enterprise should be distributed within the enterprise, normally the enterprise should have total autonomy. Nevertheless, socialist enterprises are not absolutely independent. Even with distribution within an enterprise it is still necessary to implement some centralized state regulation such as unified wage standards formulated by the state. However, there must not be excessive state intervention. Enterprises should decide on wage scale assessments, increases, decreases, bonuses, or bonus sharing.

Concerning the implementation of distribution according to labor in enterprises, the state has stipulated the proportion of enterprise income and state income in net output value. There is no need for the state to once again directly control an enterprise's gross wages and total amount of bonus money. The state must control the proportionate relationship between consumption and accumulation of national income and primarily regulate the proportion of enterprise income and state income. Once this proportion has been set, the relationship between the amount of enterprise income and the amount of labor supplied by the enterprise to society should be such that "when the river rises the boat goes up" and "when the river subsides the boat goes down." Only in this way is it possible to motivate enterprise initiative.

In the implementation of two levels of distribution according to labor, namely, distribution to enterprises followed by distribution to individuals, the difference between this and the earlier form of distribution according to labor only to individuals is that the amount of income of an individual worker is not only determined by the amount of individual labor expended but, above all, by the amount of enterprise income.

Not all enterprise income is distributed to individuals according to labor. Part of it goes for collective welfare expenditures such as housing subsidies, subsidies for children, medical expenses, financial aid, etc. This is not considered distribution according to labor, but every worker has the right to these benefits. Enterprise workers should determine of their own accord the proportion of enterprise income that these expenditures should constitute as well as which welfare services should be undertaken.

Besides paying for collective welfare expenses, the part remaining is the part directly distributed to individual staff and workers. The problem at present is how to distribute this amount on the basis of labor. Personally, I believe that the distribution of this amount within an enterprise should in principle first proceed with distribution to small collectives (workshops, teams and groups, administrative offices, etc.) and then with distribution to individuals, or we may consider combining the two. Why should this method be adopted?

First, even within an enterprise it is very difficult to measure the amount of labor totally based on individual work conditions. At present most people think that it is possible to solve this problem by setting an average advanced labor standard within an enterprise. Those who have done actual work in setting standards know that the problem is not that simple.

There are two situations in which it is relatively easy to set standards: One is labor which is simple, isolated, and highly repetitive. Take for example goods of a certain weight which must be transported using physical strength. Only one article can be carried at a time or one package moved at a time, yet because conditions in transportation distance and stacking requirements may differ, it is very difficult to make accurate measurements. Nevertheless, general measurements can be made. Another is highly mechanized and automated production such as automated production assembly lines that move rhythmically. Standards for the production lines are basically predetermined by technical equipment. Moreover, although standards may be set for all production or work positions which rely on the joint collaboration of numerous parties, there are still many factors that influence meeting these standards. Thus, the quality of fulfillment is often not totally determined by the individual worker in this position. If a metal axle goes through the two processes of turning and grinding, the yuliang [5940 6852] remaining after turning may be determined by tolerance, but if it exceeds or falls short of the yuliang, the impact on the grinding process may be great. If there is a lot of yuliang left over from turning, it will be difficult to meet standards in grinding and vice versa. Whether or not the lathe and grinder work well also affects the fulfillment of standards. This is also determined by the cooperation of machine repair workers. Problems such as these are numerous. Thus, when setting rational standards, it is of course possible to easily measure individual labor, but there will be disputes on many occasions and it will be very difficult to be absolutely accurate.

Second, lots of labor and work goes on in enterprises and it is not possible to set individual standards. First, it is frequently very difficult to set production standards for auxiliary or service labor. Second, collective operations such as smelting do not involve assembly lines. If there are to be standards, they must be collective standards. This holds true for automated production lines. Finally, there is also technical work and management work for which it is even more difficult to set individual labor standards. Along with the growth of modernized production, the first line of production workers will decrease while second and third line workers will increase. This means that the proportion of mental workers will grow larger. However, it is difficult to use standards to measure individual mental labor.

Third, in large-scale socialized production the labor expended by an individual does not necessarily constitute effective labor. A machine consists of numerous component parts. If everything except one part is completed, this machine cannot be completed. A spare part must go through numerous work processes, and even if quality standards are met in the early processes, it may be rejected in the final process. Thus, the early work processes all carry out "empty work." We who are concerned with piecework wages have all had this experience. When piecework is very much above quota, above quota wages are issued but production tasks may still not be completed. Furthermore, simply measuring individual labor without considering collective results will inevitably lead to individual producers only considering individuals, and overlooking the collective effort and not caring about collective results.

Putting the small collective first and the individaul second is, of course, a principle. There are still many problems in putting this into actual practice. It is said that the Soviet Union is currently engaged in wage reform. They have decided to widely promote the "work team (or section) wage system." This is also a method of small collective remuneration. While implementing the system of economic responsibility, our enterprises have had numerous experiences in remuneration to small collectives according to labor. The major part of it has consisted of bonuses, and the method of collective bonuses has been adopted. Methods such as collective piecework, collective above quota piecework, and other methods including wages have been adopted. Some invented the method of both considering the individual and the collective such as the "work point system" in which work points are calculated according to the amount of individual labor and the value of points is calculated according to collective results. The Liaoning Machine Plant in Guangxi tried a method in which it is determined that every month each person must complete a certain number of man-hours. Upon completion the worker receives the basic wage. For every hour above this number he is rewarded with 1 jiao and for every hour below the expected number of man-hours 1 jiao is deducted. At most only 10 percent of the basic wage may be deducted but there is no ceiling on surpassing the quota. If every worker in the group fulfills his tasks and surpasses his quota of man-hours, they all receive 1 jiao and 2 fen for every hour. If the group fails to complete its tasks each person who surpasses the quota only receives 1 jiao. If the entire workshop completes its tasks each individual receives 1 jiao and 5 fen per hour worked above the quota. If the workshop does not complete its tasks but a group does, the individuals in this group will receive 1 jiao and 2 fen per hour. In this way the individual and the collective are linked, and it is reported that results have been good. Such fine methods as these may be gradually put into practice.

As for distribution according to labor within an enterprise, the advantages of putting the small collective first and the individual second or integrating the collective and the individual are that it is fairly easy to measure labor results and to promote individual concern for collective results. However, whatever method is adopted must reflect the principle of distribution according to labor, and ultimately it is still necessary to carry out distribution to individual staff and workers.

Distribution according to labor to individuals is quite complicated. Distribution according to labor to enterprises and collectives basically uses labor results as distribution criteria. In distribution to individuals, besides primarily using labor results as distribution criteria, it is also necessary to consider numerous other factors. First of all, individual labor may be divided into active labor and potential labor. Active labor is manifested in labor actually expended in the production process while potential labor is the labor capacity of workers which is often not developed because of nonworkers. For example, if we let high level skilled workers do low level work the quality of their work will not be developed, or, if poor production organization causes workers to be idle, then labor, in terms of quantity, may not be fully tapped. In carrying out remuneration to individuals according to labor we cannot only measure active labor actually expended, it is also necessary to be compensated for potential labor. Next, due to disadvantageous labor conditions, the extent of the responsibility undertaken and political encouragement, there must still be compensatory remuneration such as night shift compensation, duty compensation, factory age compensation, local subsidies, etc. In addition there is also remuneration having to do with welfare and social insurance such as disease, injury, and maternity leave wages, wages for those released from work for study, etc. Thus, various methods must be adopted for distribution within an enterprise to handle these different forms of remuneration so as to motivate the production labor of workers and initiative in other areas.

In implementing the principle of distribution according to labor, it is necessary to oppose egalitarianism and overcome the phenomenon of eating out of the "big pot." As for implementing distribution according to labor in enterprises, it is possible to overcome the problem of eating out of one "big pot" among enterprises and under this premise overcome the problem of eating out of one "big pot" within an enterprise. For many years, due to "leftist" errors the principle of distribution according to labor has been undermined. In addition economic difficulties have led to numerous problems in current workers wages which do not correspond to distribution according to labor. Although there have been readjustments of wages over these past few years, the irrational conditions formed by history cannot be rectified in one fell swoop. After carrying out system reform the bonus money used to readjust worker income will play a significant role in motivating worker enthusiasm. But, just as mentioned above, the factors that must be considered in distribution according to labor to individual workers are complex, and it is certainly impossible to resolve complex contradictions by relying entirely on the use of bonuses for readjustment. Thus it is necessary to consider the reform of the entire wage system.

In brief, the broad sense of the word wage includes various forms of remuneration to individual workers. Therefore the term "wage system" should be changed to "labor remuneration system" as the meaning is even more precise. However, some socialist nations such as Yugoslavia regard "wages" as a capitalist category that should not be used. The term "remuneration" is also inappropriate, since it is difficult to determine who provides remuneration of labor income created by workers themselves. This view is reasonable and we must not regard this as an unimportant matter having to do only with terminology. Since a name is a concept it should accurately reflect the substance of the meaning. Thus "worker income distribution system" is even better than "labor remuneration system."

I believe that two problems must be resolved in the reform of the worker income distribution system.

First, when clarifying and determining enterprise worker income, which form of income should it be divided into? What are the essential characteristics of each form of income? For which form of income must there be national standards?

In terms of the direction of reforming the entire economic management system, the kinds of enterprise worker income may generally be divided into the following several broad categories:

1) Basic income (basic wages). Different grade standards may be set according to type of work, work capacity, and degree of proficiency. If piecework wages, duty wages, position wages, etc. are used, provided that

the work duty or position is at the grade requested by staff and as long as they are competent, in principle they should receive the income of this grade standard.

2) Supplementary income (supplementary wages) which includes various kinds of compensation and subsidies.

3) Bonus income (bonus money). At the present time bonus money is treated as compensation for above-quota labor. It is very difficult to accurately control. Above-quota labor should be handled as part of basic income (basic wages). For instance, when practicing piecework or above-quota piecework, the adjustment of the amount exceeded or the amount deficient is simply a fluctuation of basic income. There must still be bonuses which should act as encouragement for individuals to make outstanding contributions (such as inventing new things, winning competitions).

4) Bonus sharing income. This is a benefit individual workers receive from collective results. It may simply be distributed (year-end bonus sharing) or it may be reflected in basic income. (For example, in the work point system collective results are reflected in point value.)

Second, we must clearly determine the division of the limits of the authority of the state and enterprise to distribute income to workers. The state should centrally determine the worker income distribution system, related policies, basic wage grade standards, the kinds of supplementary income and related provisions, general provisions on bonus sharing, etc., which must be implemented by all enterprises.

In the implementation of the two levels of distribution according to labor, after enterprises have paid in taxes and profits to the state according to a specific proportion, the part that remains is considered enterprise income. This proportion of this income in net output value is determined by the state. The enterprise obtains the whole expenditure reserve fund according to provisions. The enterprise should determine independently how to redistribute this expenditure reserve fund within the enterprise. Under the premise that the form of distribution of basic income (the hourly work or piecework form of distribution, position wages, duty wages, etc.) as well as the right to determine the grade and the time and extent of the promotions and demotions of each worker according to the determined grade standard. The enterprise has the right to determine the kind of enterprise supplementary income and the scope of application according to relevant state provisions. The enterprise has the right to give bonuses to workers and implement bonus sharing according to state provisions. Although the enterprise has this authority, it must still comply with central state regulations. Moreover, this authority is to be exercised within the limited amount of enterprise income. Thus, this authority is only a relatively independent kind of self-determination. Once an enterprise has this autonomy it can rely on the democratic management of staff, workers and the masses to rationally distribute enterprise income using various means (not only bonus money) to individual workers. In this way individual income is not only linked to individual labor contributions but also the production results of the entire enterprise.

Now I will briefly discuss several problems regarding distribution within small collectives.

I advocate distribution within an enterprise which in principle means that there should first be distribution to small collectives and then distribution to individuals by small collectives. This principle has already been discussed above. I once said in an article in RENMIN RIBAO: If we practice distribution according to labor among enterprises and among small collectives within an enterprise "after resolving these two kinds of egalitarianism, even though some egalitarianism may exist within small collectives it will not affect the situation as a whole; there may even be some advantage." This provoked some argument. Some comrades believed that since egalitarianism is bad, egalitarianism should not be allowed within small collectives.

At that time I was referring to living wages (bonuses, bonus sharing, etc.) and the distribution of this income. I believe that if basic wages can embody distribution according to labor and if differences between individuals already exist, living wages other than basic wages, particularly collective bonuses distributed to small collectives, must also be distributed correctly according to labor within small collectives. It is often very difficult to implement greater bonuses for more labor. Therefore, I advocate that this income may be distributed relatively equally. This so-called relatively equal distribution means that for the most part equal distribution is carried out, except for striking cases of those who work much more or much less. Such circumstances can be seen in actual experiences. For example, in the past all bonuses were divided into first class bonuses, second class bonuses, and third class bonuses. Rigid rules governed how many people got first class bonuses and how many got second class bonuses. Groups and teams had no way to decide on bonuses. Why? This was because in many circumstances it is not easy to accurately measure labor contributions. Of course, if there is a precise quota then it is possible to adopt the method of above-quota bonuses, but that too does not require bonus evaluation.

In addition, I also suggested that distribution within small collectives "might as well be democratically decided within small collectives." Some comrades believed that this "democratic decision" was "democratic determination." I did not have that in mind. A democratic decision means that the method of distributing this collective income need not be rigidly determined by higher authorities. The method of distribution may be democratically formulated internally. There is one major argument in favor of my view and that is that doing things in this way will help strengthen the collective consciousness of workers.

Foreign countries emphasize the application of "behavioral science" in enterprise management. Under a capitalist system, the study of behavioral science proceeds from the interests of the bourgeoisie to seek methods for controlling the behavior of the individual worker and collective behavior. Can the principles and methods of this science be applied in socialist enterprises? At present there is some controversy over this, I believe that there is much we can make use of. For instance, behavioral science stresses the formation of collective consciousness. Under a capitalist system, labor and capital are basically antagonistic so it is impossible to truly form a collective with uniform interests. But they make use of certain methods of behavioral science which really play a role in strengthening cooperation. Under our socialist system workers are the masters of the enterprise. It is appropriate and necessary to advocate collectivism and develop collective consciousness. Consequently, not only can we apply certain methods of behavioral science concerning strengthening collective consciousness, but only in socialist enterprises can their role be fully developed. Although many of our advanced teams and groups do not know about behavioral science, they nevertheless have had many useful experiences in strengthening cooperation and developing the spirit of collectivism. For instance, the collective consciousness of some teams and groups is strong. In handling the distribution of bonuses they do not simply follow the stipulations of higher authorities but rather adopt some flexible methods within the teams and groups so as to embody collective mutual aid. For example, higher authorities stipulated that a worker who was absent a certain number of days per month should not receive a bonus and that a worker who requested several days off for marriage certainly should not receive a bonus. The team leader recalled that this comrade was usually very active and since marriage is a joyous occasion, for him not to receive a bonus would be unkind. Therefore, he encouraged comrades in the team to work his shift and with the help of the night shift they completed his quota for him so that he was given a bonus. This comrade was, of course, very moved, and after returning to work he was an even better worker. There was one female worker whose skill level was low. She frequently failed to complete her quota. Not only did she not receive a bonus, but she influenced the completion of the whole group's tasks. They tried to give her the easiest work and help her improve her skill level so that she gradually caught up with the others. There was also a young worker who was overly fond of playing. When he was on duty he would go to see movies, which affected completion of his tasks. The team leader and other comrades worked overtime to help him complete his tasks so that he received a bonus, but they also severely criticized him. This young worker accepted the criticism and felt the team leader's warmth and gradually changed his work attitude. Practices such as these are not all handled strictly according to the principle of distribution according to labor; however, the collective consciousness in small collectives is raised and the initiative of each individual is motivated. Thus, I advocate that certain forms of distribution within small collectives may be determined by the small collective itself. The masses may also have methods which can rationally and successfully deal with such problems.

IV. The Principle of Comprehensive Material Benefits

Last of all I will briefly discuss implementing the principle of comprehensive material benefits. In terms of the concept, the significance of the principle of comprehensive material benefits is greater than of distribution according to labor. The original intention of the principle of material benefits was to make workers concerned about the growth of production from the angle of material benefits. It was meant to link the individual interests of the worker with production results and thereby make him integrate his concern for his own vital interests and production results. If production results are good, this benefits the state, the collective, and the individual worker. Of course, distribution according to labor may also have this effect. However, under a socialist system the improvement of the individual's vital interests is not necessarily the result of this individual's labor; there may be other causes. Once overall national economic conditions have improved it will be possible to provide advantageous conditions for improving individual benefits. After system reform the quality of enterprise production operations will determine enterprise income. It is the prerequisite for improving the individual benefits of workers. Thus not only is it necessary to make workers understand in principle the existence of ties of common interest between individuals, enterprises, and the state, there must also be actual links so that they feel directly the effect of these ties in their actual interests. Consequently the principle of comprehensive material benefits means that in the distribution system it is necessary not only to link up the interests of individual workers with individual labor contributions but also with collective results. It should also be directly linked up with the successes of national economic development. This is the principle of comprehensive material benefits.

If individual interests are only linked to individual labor then the principle of comprehensive material benefits means only being concerned for individual labor results for the sake of individual interests. It would be impossible to guide workers to care about the collective or the state. This is the principle of noncomprehensive material benefits. Some comrades disagree with my view. They say that when implementing piecework wages and other methods of distribution according to labor, worker effort improves productivity. Objectively, the worker both creates benefits for himself and for the state. One cannot say that he is only thinking of his own interests and forgetting those of the state. I believe this view is not very realistic. In real life things are not actually like this. Of course there are many workers who, because of our ideological and poliical work and inspiration in other areas, may be concerned with collective and state interests of their own accord. Yet, one cannot deny that today the level of awareness among workers is not uniform. Quite a few workers still do not consider collective and state interests in all respects. Without doubt ideological and political work is extremely important and is a major task of top priority today. Educating the broad masses of workers to correctly understand the connection of interests between the state, enterprises, and individuals is a central task of ideological and political work. Nevertheless, in an economic system it is also necessary to have links of interest that can be seen and felt. Only then is it possible to make each worker directly feel that his own lot is connected to the collective and the state.

Formulating our distribution system according to the principle of comprehensive material benefits should make the worker see clearly the channels from which his individual benefits derive. First, as the national economy develops, what benefits will he receive directly? This requires that we carry out reforms in the system. As discussed earlier in distribution according to labor, it is first necessary to make some "deductions" which means paying in a certain amount of taxes or profits to the state. The state then redistributes this income. One part of it is used for state management expenses, key construction investments, etc., which are also in the workers' interest. However, these are indirect, not direct, benefits. Another part is for direct benefits, primarily for social welfare undertakings or for social insurance. Enterprises are responsible for the labor insurance currently in effect, free medical service, etc. Workers do not realize that these benefits come from the state. Since so much money is expended in this way, why is it not possible to hand it over to the state and once again, in the name of the state, have the state assume responsibility? If retirement and old-age pensions, free medical treatment, unemployment insurance, health care and convalescence, subsidies for children, etc., are all directly managed by the state, they will become state social welfare undertakings or social insurance undertakings. Then national economic plans will clearly define targets and after fulfilling these plans it will then be possible to start welfare undertakings or to raise the standard of retirement funds, etc. In this way workers can see the direct link between individual interests and national economic development and thereby become concerned about fulfilling state economic plans. There is a so-called "welfare state" under capitalism which does much work in this way. Socialist nations should follow suit. At present money is often spent in a similar fashion yet workers have not felt that this is a benefit provided by the state. Furthermore, we have in reality paid out numerous subsidies to workers. If rental charges are low, then in reality there are large subsidies, yet workers are not aware that this is a benefit provided by the state. Therefore, system reform should clearly acknowledge these benefits for workers. Take housing for example. Charges should be based on actual value and then the standard for housing subsidies set. Not only will this make workers aware of their benefits; it may encourage them to economize on housing. As for readjusting wages, if distribution according to labor is implemented to enterprises, the state may have no control over when readjusted wages will be delivered. However, based on the state of economic development, the state may unify and improve wage standards and include it as an item in national economic planning. Thus, even though workers do not get promoted they may still receive increased wages. In this way they will come to understand that the more national economic construction develops, the greater the advantages to the individual. For example, if the 5-year plan requires that the retirement fund be increased a certain amount, even if the worker has not yet reached retirement age he will realize that as national economic conditions improve, both the working people and he himself will benefit. This will further encourage the masses to be concerned about the progress of national economic construction. This is one channel for worker benefits, and it is necessary to adopt measures to clarify this channel.

The second channel is to obtain individual benefits from enterprise collective results. One way is to obtain benefits through enterprise bonus sharing and the other is from enterprise-run welfare undertakings.

The third channel is the influence of the results of small collectives on individual benefits. This includes adopting collective remuneration, collective bonuses, or collective bonus sharing.

Finally, there are benefits obtained through improving the "quality" and "quantity" of individual labor. This is the major source of individual benefits. Workers may upgrade their work capacity through self-study of training. If their attendance rate, work efficiency, and work quality are high, if they practice strict economy and take on much responsibility or if they are creative and inventive, they may receive even more income.

By clearly differentiating the sources of individual worker benefits into the above four channels it is possible to resolve the relationship of actual benefits between the state, enterprises, and individuals. In addition, with frequent ideological and political instruction not only is it possible to strongly motivate the initiative of workers and the masses but also to establish a material basis for cultivating collectivist ideology and for recognizing the superiority of the socialist system.

In order to implement the principle of comprehensive material benefits in this way, we must give overall consideration to the restructuring of the distribution system during the reform of the economic system.

6. The Leadership System in Socialist Enterprises [pp 295-308]

[Text] [Editor's note] This article was published in HONG QI [RED FLAG] No 21, 1980. [End editor's note]

I. Reform of the Economic Management System Requires Reform of the Leadership System Within Enterprises

The reform of the economic management system is a major part of China's current economic reform. System reform refers primarily to how to change the form and methods of state organizational leadership of national economic activities throughout the country according to objective economic laws. Actual practice and theoretical investigation over the past 2 years have shown that the key to system reform lies in correctly handling the relationship between the state and basic level economic units. This requires that we start by establishing and expanding enterprise autonomy. The rationale behind this approach is very simple: a socialist economy is still a commodity economy and a socialist enterprise inevitably possesses the general characteristics of commodity producers. It is the basic unit of national economic activities and it is the basic level unit directly engaged in production and circulation. Under the unified leadership of the socialist state, it must be relatively independent, it must be able to operate and develop independently, and it must have independent economic results. Only in this way can an enterprise become a dynamic organism, fully develop its positive initiative, and become a source of national economic strength.

Socialism is far superior to capitalism in that socialism practices the system of public ownership and has eliminated exploitation. Workers have become the masters of production and work for their own benefit. It is thereby possible to develop great labor initiative and creativity. The basic characteristic of a socialist economy is the implementation of socialist democratic principles in the economic sphere. The growth of independent initiative in enterprises under unified state leadership is the concrete manifestation of a socialist economic democracy. Nevertheless, enterprise initiative in the end still stems from the initiative of enterprise workers. Thus, it is not enough to merely embody principles of socialist economic democracy in the establishment and expansion of enterprise autonomy; they must also be embodied within enterprises. It is necessary to practice true democratic management and to enable workers to really be their own masters so that their infinite intelligence and wisdom can burst forth.

The ideas of Marx and Engels concerning the association of free and equal producers should become our theoretical basis for establishing a socialist economic management system. Marx pointed out: "The national centralization of the means of production will become the national basis of society and it will be composed of the association of free and equal producers. These producers, according to common rational plans, will consciously be engaged in social labor." (Footnote 1) ("The Nationalization of Land," in "Selected Works of Marx and Engels," Vol 2, People's Publishing House, 1972, p 454)

Engels said: "The most important commune law stipulates that it is necessary to organize large industries and workshop handicrafts. This organization should not only regard the association of workers as the basis within each factory but should also combine all these associations into one grand alliance. In short, just as Marx correctly pointed out in 'The Civil War in France,' this kind of organization must, in the final analysis, lead to communism." (Footnote 2) ("Introductory Remarks to the 1981 Edition of 'The Civil War in France,'" in "Selected Works of Marx and Engels," Vol 2, People's Publishing House, 1972, pp 333-334)

According to the above mentioned economic organization under the system of public ownership envisaged by Marx and Engels, there are two main points. First, each enterprise should be an association of free and equal producers, that is, enterprise production workers should democratically manage the enterprise. Second, the overall national economy should be a grand alliance consisting of many equal and independent enterprise associations. These two associations reflect the high degree of democracy inherent in implementing a socialist economy with a public ownership system.

China's current system reform affirms proceeding from expanding enterprise autonomy and recognizes the relative independence of enterprises. It promotes a voluntary alliance between enterprises and, in essence, is heading toward becoming a "grand alliance" as mentioned above. Once enterprises have autonomy, the next step is to resolve who exercises this autonomy and how it is to be exercised. This involves the leadership system in enterprises. Without question, it is necessary to implement socialist democratic principles within enterprises and make enterprise associations of free and equal producers. Only then will it be possible to coordinate those within and outside of enterprises to form an integrated management system that embodies democratic socialist economic principles.

II. The Enterprise Leadership System Currently in Effect Cannot Conform to the Demands of System Reform

The production enterprise, as the basic socioeconomic unit, directly gives rein to production forces and directly embodies certain production relations. The enterprise leadership system is the core of the enterprise organizational structure. On the one hand it must conform to the objective demands of organized production forces and large-scale socialized production. On the other hand, it must also play a role in preserving certain social production relations.

Historical experience has shown that the leadership system within an enterprise involved in implementing effective management of a modern enterprise may roughly be broken down into three functions, namely, policy-making authority, command authority, and supervisory authority. Policy-making authority refers to the power to make decisions on the direction, policies, and certain major measures regarding enterprise production operations. Command authority is based upon existing policy guidelines and refers to administrative leadership in day-to-day enterprise production activities.

Supervisory authority proceeds from the rights and interests of enterprise owners and involves comprehensive supervision of enterprise policymakers and directors. Once there is both separation of these three functions and checks and balances, it is then possible to protect the rights and interests of enterprise owners and, at the same time, ensure the management efficiency essential to modern enterprises.

In capitalist enterprises, capitalists and their agents are in control of these three functions. In general, the board of directors consisting of capitalist (shareholders) representatives exercises policymaking and supervisory authority. Or, the board of directors exercises policymaking authority while another body, the board of supervisors, exercises supervisory authority. The chairman appointed either by the board of directors or the board of supervisors exercises command authority.

The leadership system in socialist enterprises still may be and must be divided into these three categories: policymaking authority, command authority, and supervisory authority. The difference is that these three functions are subordinate to the workers.

The leadership system currently in effect in China includes the plant manager responsibility system and the staff and workers representative assembly, both under the leadership of the party committee. Whatever problems exist in actual practice, when analyzing the system itself there is still separation of the three functions: the enterprise party committee exercises policymaking authority, the plant manager (director) exercises command authority, and the staff and workers assembly exercises supervisory authority. Many years of actual experience has demonstrated that numerous contradictions exist in the implementation of such a system and even more problems exist in the future reform of the system.

First, the enterprise is an economic organization and the party committee is a political organization. These are two completely different kinds of organizational systems. Socialist economic construction should be led by the political party of the proletariat. This is an unwavering principle. However, party leadership does not necessarily adopt the method of administrative leadership. Many years of experience has shown that having the enterprise party organization function as the highest policymaking body in the enterprise has numerous drawbacks. In some enterprises the party committee must make decisions on all matters, large or small, so that the centralized and unified role of the plant manager (director) in giving orders has been eliminated. This has influenced the management efficiency essential to modern enterprises. The party committee frequently substitutes political activities for scientific management which impedes any improvement in the level of enterprise management. At the same time, the party organization gets bogged down in administrative affairs, thereby creating the phenomenon of the party failing to manage the party which, in essence, eliminates the leadership role of the party in political affairs.

Nationally, party leadership in economic work is primarily displayed in the establishment of lines and major directives and policies. However, the actual implementation of party lines, directives, and policies must be approved by the state administrative system. Future system reform under unified state leadership must recognize the relative independence of enterprises. In managing enterprises the state must primarily adopt economic measures and decrease use of administrative measures to directly give orders to enterprises.

Under such circumstances, how can the party committee within the enterprise directly manage the enterprise? The 3d Plenum of the 11th CPC Central Committee suggested earnestly redressing the lack of separation between the party, the government, and the enterprise and replacing the government with the party and the enterprise with the government. This is a significant policy for correctly overcoming a major flaw in our system. If the party committee in an enterprise still exercises policymaking authority, the party committee essentially becomes the head of the enterprise economic organization. Such an organizational structure can resolve the difficulty in overcoming the lack of separation between the party, the government, and the enterprise.

Second, a major drawback in the current economic management system is that the state directly manages the enterprise, so that the enterprise becomes a branch office of the state administrative organization. There are some corresponding areas in this organizational system currently in effect and in the party organizational system. Consequently, the enterprise, as a basic economic unit, is directly led by a party basic level organization which, in terms of organizational system, is the appropriate one. Future system reform will establish enterprise autonomy. Under the unified leadership of state economic policies, economic legislation and economic plans, the enterprise will have relative independence. It will no longer be a branch office of the state administrative system. Under these conditions the enterprise party committee becomes the relatively independent head of the enterprise. It certainly is not at the corresponding level.

Third, for many years economic responsibility has remained vague due to the fact that party committees and enterprises are two entirely different kinds or organizations. The party committee exercises enterprise policymaking authority but has no clear economic responsibility for enterprise business results. Even if a plant manager (director) accepts responsibility he has no policymaking authority. This abnormal phenomenon of "having authority but no responsibility and having responsibility but no authority" is the inevitable result of mixing two entirely different organizations. Henceforth, in system reform the enterprise is to be regarded as a relatively independent commodity producer and the relationship between the enterprise and the state is to be manifested in a relationship of rights and duties. Furthermore, this relationship must be confirmed by the state using legal means. Every enterprise with state approved registration has the legal status of a "legal entity." It must use its status as a legal entity to accept economic and legal responsibility for enterprise business activities.

If the party committee exercises policymaking authority, the party committee is bound to assume this legal responsibility. Clearly this is inappropriate.

Fourth, democratic management is the fundamental characteristic of socialist enterprises. In implementing democratic management it is necessary to carry out the principle of democratic centralism. In order to implement democratic centralism, in terms of organizational structure, it is necessary to make the functions of democracy and centralism form an internally circular and directly linked organizational system.

The party organization itself is an organizational system based on democratic centralism which has the masses of party members as its scope. The party congress is formed through elections by the whole body of party members. The party congress then selects party committees and party committee secretaries which form the democratic basis of central leadership within the party. However, can this democratic centralism within the party replace enterprise democratic centralism? Obviously not. Enterprise democratic centralism can only be established on the basis of democracy of all staff and workers in the enterprise so that the enterprise becomes an association of free and equal producers as envisaged by Marx and Engels. The current leadership system regards the staff and workers representative assembly as the democratic body of the enterprise and the party committee as the central policymaking body. Democracy and centralism cannot form an interlinking organizational system; thus it is not possible to effectively implement democratic centralism within enterprises.

Fifth, the staff and workers representative assembly is a wonderful creation of ours for implementing enterprise democratic management. Use of this organization over the years has played a definite role in developing democracy and in motivating the initiative of workers to be their own masters. Nevertheless, this role is still quite limited.

According to the current system, the staff and workers assembly is known as the organ of power in the enterprise. What powers does this organ of power possess? In general, it is stipulated that this organ has supervisory authority. Experience has shown that as a mass organization, it is difficult for the staff and workers assembly to objectively exercise effective supervision. The plant manager (director) is an executor and the areas to be supervised by the staff and workers assembly are quite limited. Consequently, it is not surprising that a situation has developed in which "the party committee issues appeals, the plant manager makes reports, representatives vote, and labor unions play a minor role." This kind of democratic management cannot fully motivate the initiative of the broad masses of workers to be their own masters. The creation of such a situation does not depend on who has done well or poorly but rather on the inadequacy inherent in the system itself.

Sixth, any modern enterprise must have strong centralized and unified direction in day-to-day production operations; that is, it is necessary to implement a single-head system. This is an objective requirement of large-scale socialized production. Marx, Engels, Lenin, and other Marxists have written scientific analyses confirming this.

In modern enterprises, policies are collectively made but it is necessary to implement adherence to unified centralized direction. In the past we criticized the "single-head system." This would make sense when referring to policies on major issues. Capitalist enterprises are in transition from sole proprietorship financing to joint stock partnership financial management. They have had to set up boards of directors to implement essential democratic policies. Without question we socialists should adopt democratic methods.. One person should not have final say. But, in day-to-day production operations, it is still necessary to implement a single-head system to carry out policies. The plant manager (director) must be responsible for unified centralized direction.

In the implementation of the plant manager responsibility system under the leadership of the party committee, the party committee collectively determines policy and the plant manager gives central orders. Whether or not policymaking authority should be exercised by the party committee, it is still correct that the collective principle be used in policymaking and the principle of a single-head system be adopted in providing direction. In the past we followed the "plant manager division of labor responsibility system under the leadership of the party committee." Responsibility for the daily work of enterprises was divided between plant managers and assistant plant managers; it was not centralized among plant managers. In terms of policy, some enterprises did not develop the collective role of party committees so that all problems, large or small, were decided upon by the party committee secretary. In actual practice a "single-secretary system" was formed. As a result, policymaking was not democratic and command was not centralized. This reversed way of doing things runs counter to the objective demands of large-scale socialized production in modern enterprises.

When enterprises implement democratic centralism, centralism refers to centralism on the basis of democracy. Those who exercise centralized direction have power, authority and responsibilities. They are responsible to the democratic policymaking body. However, in a rational and effective responsibility system there can only be responsibility to one authorized body. If one is responsible to multiheaded leadership, it then becomes difficult to be clear about responsibility. Plant managers (directors) under the current leadership system must be responsible to both the party committee and to the staff and workers representative assembly. This kind of system of responsibility to various bodies indicates disorder in the organizational structure.

From the above it is apparent that many contradictions exist in the structure of the system itself in the implementation of the plant manager responsibility system and the staff and workers assembly system under the leadership of the party committee. Moreover, in terms of the course of reforms in the economic management system, these systems are even less appropriate. Consequently, when actively carrying out reforms of the economic management system one cannot avoid simultaneously looking into solutions to problems in the leadership system within enterprises.

III. Striving To Improve the Leadership System Within China's Socialist Enterprises

There are both similarities and differences in the natures of socialist enterprises and capitalist enterprises. The differences primarily involve differences in production relations. This is also true for enterprise leadership systems. There are some similarities in terms of rationally organized production forces and demands that correspond to large-scale socialized production; however, due to differences in systems of ownership, the socialist leadership system inevitably has its own special characteristics.

Based on past experiences combined with the course of future system reforms, the leadership system of socialist enterprises can be summed up in three phrases: develop democracy, unify command, and have comprehensive supervision. As for specific work practices, the staff and workers representative assembly and its standing bodies (such as the management committee) should exercise policymaking authority in enterprises so that all staff and workers in enterprises truly become their own masters and the enterprise becomes an association of free and equal producers. Plant managers (directors) should exercise command authority on the basis of democratic policies. A strong administrative command system that implements policies and handles day-to-day production and management work should be established with plant managers (directors) as the heads. Enterprise party committees should implement comprehensive supervisory authority. They should supervise the staff and workers assembly and its standing bodies as well as plant managers (directors) and cadres at all levels so as to ensure the implementation of state economic policies and laws in enterprises. This will ensure the correct integration of national unity and enterprise independence.

This kind of leadership system may be called the plant manager (director) responsibility system under the leadership of the staff and workers assembly. The staff and workers assembly and plant managers (directors) form a democratic centralist organizational system which takes on enterprise powers and responsibilities. The party committee occupies a position outside of this organizational system, so there is no problem regarding separation of the party, the government, and the enterprise. However, the party organization as the vanguard of the proletariat is responsible for instructing party members by setting an example, for guiding all staff and workers to observe state economic policies and laws, for preserving the socialist nature of enterprises, and for carrying out comprehensive supervision of the conditions of implementation within enterprises.

Will such a leadership system weaken party leadership of enterprises? Tradition and practice have frequently shown that policymaking authority is primary in the power of leadership, and supervisory authority is secondary. This view lacks scientific analysis. Of the three enterprise authorities, policymaking is undoubtedly primary in capitalist enterprises with absolute independence. Thus capitalists must go through their board of directors consisting of their own representatives in order to exercise policymaking authority. However, because enterprise business management increasingly requires specialized knowledge and experience, capitalist enterprises must hire specialists to be on the board of directors. In order to reconcile class contradictions and to implement the so-called "worker participation system" they must hire minority worker representatives to be on the board of directors; thus, the tendency to separate ownership and management has appeared. In order to protect the interests of capitalist owners, capitalists in some enterprises have begun developing the role of supervisory authority. Consequently, the supervisory boards of certain enterprises have even greater power than boards of directors.

Socialist enterprises must also have independence; they should have the right to determine policies independently. However, socialist enterprises under unified state leadership also possess relative independence. Enterprise policies can only be made to a limited extent within the scope of unified state guidelines, policies, and laws and under the guidance of state planning. To ensure unified state leadership, supervision of enterprise operations has become a major problem. The experiences of Yugoslavia and other countries have shown that after implementing reforms in the economic system and expanding enterprise autonomy, this supervision becomes even more essential. Contradictions exist between enterprises and the state, such as contradictions between local interests and overall interests and between immediate interests and long-term interests. Only if the party organization keeps to the standpoint of the proletariat and the interests of all the people, instructs all party members and all workers, and correctly handles these contradictions, can the unity of the state and the independence of enterprises be integrated.

The party organization does not directly participate in the actual policy-making and everyday administrative work in enterprise management; rather, it exercises its comprehensive supervisory authority in enterprises. Thus, it can develop its political leadership role in enterprises in a more objective and more active way. By relying on the prestige of the party and the exemplary behavior of party members, the staff and workers assembly and enterprise leaders will certainly heed and respect the suggestions of the party committee concerning major issues. Even so, if major disputes arise between the staff and workers assembly and the party committee, the enterprise party committee may rectify the situation through a higher level party committee or appropriate leading agency. Therefore, the exercise of supervisory authority by the party committee absolutely cannot weaken party leadership; on the contrary, only by doing this is it possible to truly strengthen political leadership of enterprise work.

If the aforementioned principle can be established and this new enterprise leadership system implemented, it will of course still be necesary to decide on corresponding specific organizational measures. For example, how should the staff and workers assembly be organized and how should its functions and duties be set forth? Should large-scale enterprises under the staff and workers assembly have standing bodies? Is it better to establish general standing bodies or to establish some special committees such as the wage welfare committee and the personnel examination and appointment committee for democratically handling problems of most concern to staff and workers? How should plant managers (directors) be chosen, by election or by having the staff and workers assembly review and appoint them based on recommendations of higher bodies or party committees? How are their terms of office, functions, and duties to be set forth? The relationship between plant manager and assistant plant manager should be one of leader and subordinate. Should the assistant plant manager be nominated for candidate by the plant manager? According to the above system, it is clearly not very appropriate for labor unions to be considered the standing bodies of the staff and workers assembly. Thus, what constructive roles should labor unions exercise in enterprises? When an enterprise forms an association with other enterprises, various kinds of companies or federations are formed. What leadership system should be established in these companies? What leadership system should be established in the branch companies, auxiliary plants, workshops, and other basic level units within the enterprise? Must all administrative offices, workshops and other leading personnel adopt the electoral system? These personnel all come under the command system of policies implemented by plant managers so should they be appointed or nominated as candidates by plant managers? Questions such as these await further study. After undergoing pilot programs, "Enterprise Laws," "Company Laws," and other laws should be issued by the state and the necessary regulations set forth. These should then be put into effect and we should constantly seek perfection. Finally, it is necessary to form a new socialist enterprise leadership system that is uniquely Chinese and create advantageous experiences for implementing socialist economic democracy.

7. Enterprise Consolidation and Strategic Objectives [pp 311-336]

[Text] [Editor's note] This was a report given by the author on 20 December 1982 to the Conference on the Modernization of Technology, the Economy, and Management, held in Beijing. [End of editor's note]

I have been invited to go first in this series of lectures on enterprise consolidation conducted by two institutes. My topic is "Enterprise Consolidation and Strategic Objectives." I believe the sponsoring unit suggested this topic in the hopes that I would discuss the strategic significance of enterprise consolidation. Before tackling this subject more research is required. I have not thoroughly researched this area so I will simply present some of my opinions.

I. Enterprise Consolidation Is a Strategic Measure in the Decade of Preparation

The 12th CPC Congress proposed the magnificent program for China's socialist construction and set forth strategic goals for economic construction. It proposed that we quadruple industrial and agricultural gross output value by the year 2000. The key strategic point is to develop energy resources, communications, etc., while strategic measures are to be divided between the two decades until the year 2000.

Can such a strategic goal be realized? There are differing opinions both abroad and at home. Some believe that it cannot be realized, but the vast majority believes that it can. Some time ago, in his speech at the Science and Technology Awards Meeting, Comrade Zhao Ziyang discussed the strategic problem of economic revitalization, that is, the matter of scientific and technological advancement. Is it possible to achieve these goals based on analyses of current conditions? He said that conditions were both ripe and not yet ripe. You may believe that conditions are ripe but there are still many areas that are not yet ripe. You may believe that conditions are not ripe but once correct guidelines and policies are adopted they then become ripe. This means that there are two possibilities concerning the realization of these goals. If we work hard to achieve the necessary conditions, they can be realized. If we are unable to do that, there is no doubt that by the year 2000 energy resources will at most only double; and according to the current proportion of production and consumption, production will also only double. Therefore, if we do not create the proper conditions, conditions will never be ripe. If present conditions are not ripe, it is necessary to adopt measures to change this situation.

There are numerous and different measures for each period. Comrade Zhao Ziyang proposed five measures in his report on the Sixth 5-Year Plan. In general, what basic problem should we pay special attention to in order to achieve these magnificent goals? Comrade Zhao Ziyang touched upon this problem at the Science and Technology Awards Meeting by asking: What is the solution? The solution consists of improving economic management and adopting advanced technology. He spoke only briefly on improving economic management. He said that economic management is a science, and that it is an extremely weak link at present. The desired results may be quickly obtained by improving management, which will serve to tap tremendous potential. He then explained in detail that the major strategic problem in realizing our strategic goal is to develop science and technology. Since the 3d Plenum of the 11th CPC Central Committee, the party has adopted many policies on developing the economy which have brought order out of chaos. These policies over the past few years have been correct and they have certainly played an important role in changing the economic situation. For instance, agricultural development over the past few years has been advancing by leaps and bounds. This is primarily due to the adoption of new policies, the implementation of the output-related responsibility system, etc. However, further development cannot rely solely on policies. Comrades Zhao Ziyang and Hu Yaobang have proclaimed on numerous occasions that in agriculture we must rely first on policies and second on science.

In his report on the Sixth 5-Year Plan, Comrade Zhao Ziyang discussed measures and mentioned five problems: control of fixed asset investments and accelerating technological transformation, carrying out readjustment and comprehensive enterprise consolidation, enhancing the role of science and technology, system reform, and agriculture. In short, there are two basic problems, one involving policies, management, and organization, and one involving science and technology. Thus, regardless of whether we are talking about industry and agriculture or overall national economic development, we basically have two areas in which we lag behind: one is in science and technology and the other is in organization and management. There are all sorts of concrete measures, but from an overall perspective, there are primarily two strategic measures for realizing strategic goals. One is to raise the standard of organization and management and the other is to raise the level of science and technology. What does the term improvement in the "four point policy" refer to? It chiefly refers to improving economic results. How should we improve economic results? This also depends on improving the level of management and the level of science and technology. This holds true for both industry and agriculture.

As we focus on economic construction and develop our economy, according to political economics, we are developing our productive forces. To develop productive forces it is necessary to have corresponding production relations. If production relations are suitable, this will promote the growth of productive forces. If they are not suitable, this will hinder the growth or productive forces. Production relations include an element of organization. Science and technology form the major foundation for productive forces. Thus, in theory, both science and technology and organization are involved. In terms of the broad sense of the meaning, formulating policy is also a management issue. As for the first line of production, the entire production process is always inseparable from science and technology. Without prescribed levels for science and technology, production will inevitably be limited. According to the Marxist viewpoint, science and technology are first manifested in technological equipment, namely, the tools of production.

At the same time, it is also manifested in the scientific principles and technological processes reflected in technological equipment. It is also linked to the knowledge and skills of those who handle technological equipment. All this is called science and technology and includes both software and hardware. The production process is inseparable from science and technology. The most primitive and simple production, regardless of whether one realizes it or not, still involves science and technology. When peasants till the land and cultivate grain crops, the law of biological development is at work. After mastering the objective laws of cultivation techniques, they use our subjective methods to promote and hasten the growth of crops.

Production cannot be separated from science and technology, nor can it be separated from society. Since the beginning of society, production, unlike Lu Binxun [7627 3453 6676], has never totally relied on the individual. Even in a primitive society man carries out mutual cooperation as a small group or as a small collective in the clan society. Therefore, the characteristics of man are that he is an animal capable of manufacturing tools and that he is a social animal. From the beginning, production has had a socialized nature. When a group of people practice cooperation the issue of organization inevitably arises. For those with similar scientific and technological levels, results differ greatly depending on the quality of organization. Technical facilities in some of our plants are quite backwards while others are more advanced. Isn't productivity in those with advanced facilities necessarily higher than in those with obsolete facilities? Not necessarily; it depends on organization. Certainly during the 10 years of turmoil and even at present there are quite a few plants that have a large number of advanced facilities as well as large numbers of technical personnel. However, productivity is low and there are no tasks, which leads to enforced idleness. Potential has not been tapped, and what is more, surface "buoyancy" has not been developed. Shortcomings in our system have led to the whole people being inferior to the collective, the large collective being inferior to the small collective, and the small collective being inferior to the individual. These are all abnormal phenomena. If collectives cooperate successfully, their power will certainly surpass that of the individual; otherwise, how could society advance?

These sorts of abnormal phenomena have appeared due to irrational organization. If organization is poor then even advanced technology is of no use or if it is put to use, its efficiency is not fully developed. For instance, a certain number of computers were manufactured in China and introduced throughout the land. We should take a good look at how many are actually fully utilized and fully exercise their function. Why is this? We cannot blame the computers themselves nor can we blame technology, for the technology is advanced. The principal problem is poor organization. If organization is poor then no matter how advanced the technology, it cannot fully exercise its function. This is true for people, too. We are extremely lacking in qualified personnel. There are few college graduates nationwide. Can this small number of very valuable qualified personnel all be fully utilized? Some are students who have returned from studying abroad. These returned students may be placed in a position for several decades and never used until their knowledge is obsolete. What kind of craziness is this? Examples are too numerous to mention individually. This shows that science and technology are interlinked with organization and management. They must be integrated, as they are equally vital. In a certain sense, organization and management are even more important than science and technology in that they become effective quickly. The utilization of science and technology does not necessarily require investment. Some new methods do not require any investment and once they are put to use the desired results can be seen immediately. However, most science and technology must be reflected in certain material equipment, and a certain amount of production materials is required to reflect technology. Thus, some investment is necessary. Organization and management do not require investment at all. Of course, the tools of modern management such as computers require some investment. However, most management problems have to do with the quality of organization, which does not require any technical equipment. Therefore, by stressing organization and management we may receive much interest with no principal or much interest with only a little principal.

Today we are lagging behind in the two areas of science and technology and organization and management, but we are most behind in management. Even though at present we lag behind in science and technology, we have made some advances. We do not have much advanced technical equipment, but we do have some. Its potential, however, has not been fully developed or it has basically not been utilized. Consequently, if work in management and organization is improved, it is only natural that first "buoyancy" and then potential will be developed. Due to poor organization it has not exercised its proper function. Therefore, in a certain sense, the strategic measure of organization and management is even more important.

Enterprise consolidation includes the consolidation of industrial enterprises, commercial enterprises, communication and transportation businesses, and the consolidation of the other cells and basic level economic entities of the national economy. What exactly is being consolidated? Management, primarily. Of the past two decades, the first was spent laying a solid foundation, accumulating strength and creating conditions so as to facilitate entry into a new period of economic growth during the second decade. An important part of these preparations, this foundation, and this accumulation of strength, are the "two increases": to increase the level of technology through technological transformation, and to increase the level of microeconomic management through enterprise consolidation and to increase the level of organization and management in the overall national economy through system reform and readjustment. Thus, enterprise consolidation is of major strategic importance during the decade of preparation.

II. Enterprise Consolidation Is a Major Link in Implementing the "Four Point Policy"

Here we are actually taking the first issue and analyzing it a bit further. Above, I said that enterprise consolidation is a strategic measure during the decade of preparation. Enterprise consolidation cannot continue until the year 2000; rather it is an important measure for the first decade. Work in organization is to be carried out over the long term, but consolidation is essentially a particular phase. Once it is completed and the level of management in the overall national economy and in enterprises has improved, it will continue to develop. However, this does not come under the scope of consolidation, so it is a strategic measure of the first decade. Reports of certain comrades in the central leadership have dealt with the "four point policy" or the 10-point construction policy that came later. The reports were all in reference to the first decade. If the Sixth 5-Year Plan were to continue to implement the "four point policy," would it be terminated during the Seventh 5-Year Plan? No. Take reform for example: implementation of comprehensive reform can only be begun during the Seventh 5-Year Plan. Therefore, I believe that the first decade is basically the time for the actual implementation and practice of the "four point policy" or the 10-point construction policy. The "four point policy" refers to readjustment, restructuring, consolidation, and improving, and consolidation is the link. Thus, consolidation is a significant strategic measure for the decade of preparation.

What is the relationship between consolidation and the other three? First of all it is necessary to show what problems the "four point policy" is addressing. Readjustment chiefly refers to changing the irrational economic structure created by "leftist" errors of the past such as disproportionate relations between accumulation and consumption and between heavy and light industries, an overextended basic construction front, inflation, financial deficits, and other serious crises. Without readjustment it is impossible to change the overall national economic situation. This is the problem to be solved by readjustment. Restructuring refers to restructuring irrational economic structures of the past. As for the system of ownership, in the past we engaged in ultra-leftism and extremism. We cut off the "tail of capitalism," tried to achieve communism overnight and thereby created a simplified ownership system. Management adopted highly centralized methods. Areas had little autonomy and enterprises had even less, such that the entire economy was stifled. All this must be reformed; it is the only solution. If readjustment and restructuring emphasize the macroeconomy, then consolidation must focus on the microeconomy. Improving refers to improving economic results by raising the level of technology and management. Improvement is the end result.

In order to aim at this result it is necessary to do some work. As we break down and analyze the "four point policy," it basically boils down to a problem of organization and management. Readjustment will resolve the management problem in the overall national economy; restructuring will also include economic management in all departments; and consolidation is directed towards organizational and management problems in enterprises, that is, the cell and basic-level entity. Thus the four items in the "four point policy" actually consist of major overall readjustment and consolidation in management. Enterprise consolidation began after the overthrow of the "gang of four." Early in 1982, the CPC Central Committee and the State Council proposed that the first comprehensive consolidation of all state-run industrial enterprises take place within 2 to 3 years. There were many comrades who did not really understand this.

The consolidation currently proposed by the Central Committee is naturally the continuation of the consolidation following the overthrow of the "gang of four." However, the current consolidation differs from the former consolidation. It is a part of the strategic measure of the "four point policy" and it is necessary to take into account which opportune moment is used to boldly centralize power to implement consolidation. Consequently, consolidation is an integral part of the "four point policy." In order to comprehend its strategic significance it is necessary to begin by understanding the "four point policy." In the broad sense it is intending to resolve problems in organization and management. Readjustment and restructuring refer to how to organize the overall national economy, such as balancing consumption and accumulation, and the proportionate relations between agriculture, light industry, and heavy industry. Why do problems appear in these structures? Certain erroneous policies were implemented in the past. Policies are part of organization, the principles of organization. In the past we adopted inappropriate organizational measures based upon mistaken principles such as seeking high targets in planning. As a result readjustment must resolve problems in macroeconomic control and restructuring must resolve problems in organization and management from a macroscopic viewpoint. This affects the microeconomy. Take for instance the relationship between the state, the enterprise and workers. The state must control the enterprise but the methods and procedures adopted vary greatly. At the same time, this involves internal management within the enterprise. This is a matter of consolidation. In addition to improvements in management and organization, technological advancement is also necessary. Technological development itself involves the issue of management. For example, where is the capital for technological transformation to come from? Should funds be raised independently or should the state allocate funds? If the state allocates funds, should it allocate funds across the board or on what basis? For instance there was the Shougang transformation project for which it was necessary to apply for approval every year so that it dragged on for many years and was never completed. Once autonomy was established the project was completed in a few months. Thus technological transformation may also encounter problems in the management system. At present economic results are poor, and it is necessary to improve them. In some enterprises output value and yield are high yet the goods do not satisfy the demand. They are stocked in warehouses so that utilization value cannot be realized. Why is this? This too is a management problem.

The four items in the "four point policy" are inseparable from management. What position does the enterprise consolidation that we have been discussing today occupy in the "four point policy?" Much deliberation went into formulating the "four point policy." Since readjustment is the most urgent, it must be resolved first and thus has priority. Restructuring is the basic solution for China's economy, followed by consolidation. What then is the position of consolidation in the "four point policy?" What is its function?

Why did the Central Committee only propose comprehensive consolidation in 1982? They all have some internal relationship. At present we are discussing consolidation, in particular, enterprise consolidation. In order to comprehend this question it is necessary to understand the position and role of enterprises in the overall economy.

Prior to the 3d Plenum of the 11th CPC Central Committee, enterprises were treated entirely as branches of the government. In party organizations, from the central government to the localities, enterprises were basic-level party organizations, and each level controlled another. The enterprise party branch or party committee came under the control of the local party committee, and administration was organized along similar lines. However, enterprises are economic organizations, they engage in economic activities. In the former system enterprises were set up as government branch offices. They had no relative independence and thus resembled the beads of an abacus which are moved one at a time. In this way enterprise work was easily handled. One did whatever higher authorities ordered. All enterprises followed one slogan: "Thoroughly fulfill state plans." The state issued tasks and the enterprise fulfilled them. Once all tasks were completed everything was fine and dandy. The state even took care of things if goods were not marketable or did not satisfy demand. In such a situation the enterprise basically concerned itself with production management, not business. Today things are different. Following the Third Plenum, reforms were initiated to change this highly centralized management system and to expand enterprise autonomy. Enterprises should be relatively independent economic entities. No one can deny that commodity production and exchange still exist in our socialist society. Under socialism we do have a planned economy but we cannot deny that enterprises do engage in commodity production. Thus, as for the function of enterprises, it should be acknowledged that enterprises are relatively independent commodity producers. Without doubt, relative is the key word. It is not absolute independence and it differs essentially from the situation under capitalism. Enterprises may take the initiative and be active in business. As Comrade Chen Yun recently said, you cannot hold a bird in your hand, for it will be crushed. You should let it live, and to do so you must put it in a birdcage. Of course, the size of the birdcage is a problem. If the birdcage is as big as the bird it will die.

The socialist planned economy can be compared to the birdcage. Enterprises within the birdcage should have relatively independent autonomy in business operations. The enterprise is the fundamental cell of the national economy. Where are the production forces we talk about? Are they not within the enterprises? The government must manage enterprises, but the forces of production are not found in the government. You may manage an enterprise but the production forces operate on the first line of enterprises. Therefore, enterprises, as relatively independent commodity producers, must provide vitality and have relative autonomy; only then can they function. This requires restructuring our management system. Following the Third Plenum, trial reforms in the economic system got underway. These reforms created beneficial external conditions in enterprises by stimulating the microeconomy.

If we regard the enterprise as a "hero," then the reforms provide the "hero" with "scope for displaying his abilities." Reforms have created conditions for the even more vital development of productive forces in enterprises. However, are external conditions as good as they should be? Objective conditions are satisfactory but subjective conditions are not; they are inappropriate. In the past few years there have been reforms and readjustments which have brought about changes in the objective conditions of enterprises. Once we decreased the basic construction front, there was a relative decrease in the demand for the means of production and right away the tasks of mechanized industry decreased. According to past procedures, how should this be dealt with? The state had to issue wages to support it. We are currently carrying out readjustments and reforms to give enterprises some autonomy and have linked the quality of business with the interests of enterprise workers. Enterprises may now take the initiative to engage in business. They do not engage in production behind closed doors but rather "seek rice beneath the pot." If there are no tasks, they go out and seek assignments themselves.

Thus, if there had been no reform, it would have been difficult to successfully carry out the readjustments of the past 2 years to the extent that they have been implemented. The state would have had to spend large sums of money to support them. In this way there are both readjustments and reforms. Reforms have resolved difficulties in making readjustments and have expanded enterprise initiative. Once external conditions have been restructured it is still necessary to ensure that internal conditions within enterprises correspond. If business operations are not emphasized within enterprises, and basically no consideration or effort is applied to this area, then even though reforms may provide the necessary conditions, that is, even though the birdcage may be quite big, the bird will still be unable to fly away. Its wings will be powerless and it will be unable to fly. Thus, we cannot have readjustment without reforms. Readjustment and reform require enterprise consolidation, which involves increasing the potential for internal conditions to respond to changes in external conditions. In 1979 industrial reforms began to expand enterprise autonomy. In 1981 the focus switched to implementing economic responsibility systems. On the basis of expanding autonomy a management system developed which combined responsibilities, rights, and interests. It is first necessary to allow enterprises to have autonomy and their own relative economic interests; only then can we talk about responsibilities, rights, and interests. How are responsibilities, rights, and interests to be realized? There must be a scientific management system and methods within enterprises. Only then can the requirements of system reform be met. As in the Capital Iron and Steel Works, there must be contracts and guarantees at each level within enterprises. Thus the central links in the "four point policy" are readjustment and restructuring. At a certain point--early in 1982 [as published]--we must begin advocating comprehensive enterprise consolidation. The significance of enterprise consolidation may be understood as the major link in the "four point policy."

III. Comprehensive Enterprise Consolidation Is Constructive Consolidation

In a literal sense what we are calling consolidation generally means making an abnormal situation return to normal. Once the "gang of four" was overthrown, it was proposed that we carry out enterprise consolidation. Each department suggested specific consolidation standards and carried out various experiments. Now consolidation has been proposed once again but a word has been added before it, that is, "comprehensive consolidation." This differs from the earlier wording. The consolidation that followed the smashing of the "gang of four" was a result of the 10 years of turmoil. Normal management was destroyed and leading groups were undermined by the "gang of four." The ranks of staff and workers, regardless of ideology, profession or education were all influenced and damaged by the 10 years of turmoil. All enterprise management rules and regulations were also destroyed. Therefore over the past few years consolidation has primarily been restorative. However, present consolidation is constructive. Just now a comrade asked: Will this consolidation rehabilitate those who break rules and regulations? For those who break rules and regulations there must of course be rectification. Of the five tasks to be worked on at present, there is the task of strengthening financial and economic discipline. For violations of financial and economic discipline it is necessary to carry out rectification. Some comrades have asked: Should the current consolidation include readjusting the irrational organizational structures within enterprises? Should small enterprises be consolidated? This touches upon our understanding of the meaning of enterprise consolidation. According to the spirit of the Central Committee, the current consolidation differs from the earlier restoration consolidation in that it is constructive in nature.

What work is involved in constructive consolidation? The Central Committee directive put it very clearly. At present it is above all necessary to focus on five tasks. First, we must consolidate and perfect the economic responsibility system, to improve enterprise business management, and to successfully carry out work in comprehensive planning management, quality control, and economic accounting. Second, it is necessary to consolidate and strengthen labor discipline and strictly implement a system of awards and penalities. Third, it is necessary to strengthen financial and economic discipline and strengthen the financial management system. Fourth, it is necessary to consolidate labor organization, organize production according to quotas and fixed numbers of staff, train all personnel in a planned way, and resolutely overcome the phenomena of being overstaffed and doing careless and sloppy work. Fifth, it is necessary to consolidate and establish leading groups and strengthen ideological and political work directed towards staff and workers. At the present time consolidation is being carried out throughout the land. Everyone is focusing on these five tasks. Liaoning and other provinces have been quite successful and have already begun to carry out experiments. In Beijing Municipality, the majority of experiments will be carried out next spring. These so-called experiments still refer to the five tasks. It is possible that there may be a misunderstanding that enterprise consolidation consists of these five tasks and that if they are carried out consolidation will be completed. This is wrong. These five tasks are only the minimum tasks to be done in enterprise consolidation. True constructive consolidation consists of the "three establishments" and, by means of the "three establishments," we arrive at the "six demands for improvements." The three establishments are: 1) To gradually begin to establish a democratic and centralized leadership system. The consolidation of leading groups is a problem that currently needs to be resolved. Once leading groups have been readjusted, however, we cannot say that we have now established a leadership system that is both democratic and centralized. Once leading groups have been readjusted the next step is to establish a democratic and centralized leadership system. 2) To gradually establish ranks of staff and workers who are both red and expert. Of the five tasks, it is necessary to strengthen labor discipline and labor organization, and, on this basis, to upgrade the political, educational, professional, and technical levels of all staff and workers. 3) To gradually establish a scientific and civilized management system.

Once the three establishments are completed we must meet the "six demands for improvements." The "six demands for improvements" refer to enterprises being able to correctly handle the economic relationships between the state, enterprises, and individual workers and doing an outstanding job of fulfilling state plans so that enterprises reach the point where the three give consideration to each other, have high quality products, fine economic results, strong labor discipline, highly civilized production, and good political work. Enterprises with the "six fine points" are evaluated on the basis of the "six demands for improvements." Current experiments only include experiments of the five tasks which are not equivalent to tests of overall consolidation. Enterprises which have attained the "six fine points" are the result of carrying out the "three establishments" in a planned way. It is necessary to undergo comprehensive consolidation to choose enterprises with the "six fine points," so this time period must be extended somewhat. Advanced enterprises may be at the forefront. All state-run industrial enterprises should have achieved comprehensive consolidation before 1985. There are more than 380,000 state-run industrial enterprises throughout the country, and emphasis should be given to large-scale enterprises. Medium- and small-sized enterprises should, of their own accord, formulate consolidation plans according to their own conditions and characteristics. Their requirements, however, may differ. For instance, the requirements of the Capital Iron and Steel Works certainly differ from the requirements of small enterprises with 100 or 200 people.

Why must we now focus on comprehensive enterprise consolidation? In the second question we just discussed the relationship of consolidation and the other items of the "four point policy." Consolidation is connected to system reform. Reform creates important external conditions for enterprises but, at present, reform is still in the experimental phase. Experiments are first carried out in a few enterprises. Comprehensive experiments are now beginning in medium-sized cities such as Changzhou and Shashi. Soon comprehensive experiments will be carried out in large cities (Chongqing will be first). It is important to carry out various reform experiments and, at the same time, formulate overall plans. As for carrying out comprehensive

comprehensive reforms, it may be necessary to look to the Seventh 5-Year Plan period, that is, carry out reforms only after 1985. Although current reforms are still in the experimental phase it is necessary to accelerate the pace in a positive and safe manner. To coordinate reforms it is necessary to use the spirit of reform to carry out overall consolidation of cells, namely, enterprises. After 1985, as comprehensive reforms get underway, enterprises can then adapt to them.

At present the Central Committee and provincial municipalities should first stress the consolidation of some large- and medium-sized enterprises. Small enterprises should implement the "three establishments" based upon their own circumstances and characteristics and strive to attain the "six demands for improvements." Since system reform is now being experimented with, changes may occur in some conditions. For example, at present there is a tentative plan: particularly small enterprises, especially service industries, etc., may adopt management by staff and workers and fully implement the policy of assuming sole responsibility for profits and losses. The internal system of such an enterprise may differ entirely in terms of work methods from an enterprise directly managed by the state. Nevertheless, whatever the method, the "three establishments" must be implemented. As for the special characteristics of socialism, the principle of socialist democratic centralism should be applied in all enterprises regardless of whether they are large state-run enterprises or small state-run enterprises or even enterprises with a system of collective ownership. Recently the Ministry of Organization in the Central Committee of the CPC and the National Federation of Trade Unions held a meeting to sum up experiences of the leadership system. The Central Committee summarized the system in three phases: first there is party committee collective leadership; second, democratic management of staff and workers; and, third, plant manager (director) administrative command. All enterprises must reflect these three principles. Based on these three principles what kind of internal management system should there be? This question still awaits our answer. Currently, relatively successful democratic management by staff and workers has adopted the forum of the Staff and Workers Assembly. However, some enterprises in the Staff and Workers Assembly are formalistic and do not really regard the masses as the masters or motivate their initiative; other enterprises have done this quite successfully. Specific methods vary as do results. Regardless of the type of enterprise, as long as they are socialist enterprises, it is possible to establish a leadership system based upon the principle of democratic centralism. This is the first part of the three establishments.

The second part is to establish ranks of staff and workers who are both red and expert. This has both major economic and political significance. Where do we find this working class? The majority are in the enterprises. Major concentrations of the working class are found in large enterprises in particular. Therefore, how enterprises train workers to be both red and expert not only has major significance for improving economic results and the levels of technology and management in enterprises, it also has important political significance for enhancing the quality of the entire working class. All enterprises should integrate fixed numbers of staff with quotas so as to organize production, release surplus personnel to carry out training in rotation, conduct political, vocational and educational training in rotation, and upgrade standards. Whether enterprises perform this poorly or well, each has its strong points and each can display its abilities. Here we should not distinguish between large and small enterprises; small enterprises have fewer people but they should still maintain this objective of struggle.

The last part is to establish a scientific and civilized management system. The items contained in this part are even more numerous.

In his report on the Sixth 5-Year Plan, Comrade Zhao Ziyang mentioned readjustment and consolidation. There was some change in the Central Committee's wording concerning consolidation in early 1982. He said that the key to comprehensive enterprise consolidation is threefold. First, establish a solid leading group. This was also mentioned as part of the five tasks. Second, establish and strengthen all regulations and rules as well as the responsibility system. In the three establishments this is the problem to be solved by establishing a scientific and civilized management system. Third, formulate a program for technological transformation with conserving energy resources and materials as the key point, and determine a direction for rational product development. This means we must include technological transformation and technological advancement within the sphere of enterprise consolidation. This is something that has not been mentiond before. Technology and organization are two strategic measures. What is the significance of bringing them together at the present time: Technological transformation and technological advancement inevitably involve the issue of organization and management. In enterprise consolidation, while establishing a scientific and civilized management system, it is particularly necessary to pay attention to the problems of technological advancement and management. Scientific research, design, and technological transformation are purely technological matters. Formulating technological transformation plans, carrying out surveys and market forecasts, determining the direction of rational product development and then proceeding from design, technology, and trial manufacture to formal production and rational organization, however, are all management issues.

In his report on the Sixth 5-Year Plan, Comrade Zhao Ziyang also mentioned the four signs of successful enterprise consolidation: The output-related responsibility system, a shift in labor discipline and labor attitudes, products which meet demand, and major economic and technological indicators and economic results that exceed those before consolidation. This primarily refers to the consolidation of enterprises by means of the five tasks and the several signs that experiments are being implemented, not to all the requirements of comprehensive consolidation. What are the final objectives of constructive consolidation? They should be to lay a foundation for establishing modern socialized enterprises that have an advanced material and spiritual civilization and are uniquely Chinese.

Further explanation of the three establishments is necessary. What does the term scientific and civilized management system refer to? Scientific and civilized management implies modernized management. Can modernized management be attained after 2 or 3 years of consolidation? I believe that this is not very likely; modernized management cannot be attained by all enterprises within such a short period of time. Establishing a modernized and new situation before the year 2000 does not mean that it has to be done in the next decade or before 1985. The establishment of a scientific and civilized management system refers to making improvements on the basis of reality. Nevertheless, although modernized management cannot be fully realized within 3 or 5 years, as long as conditions for its realization exist, we should still forge ahead in the direction of modernization. In his report Comrade Zhao Ziyang mentioned numerous times that it is necessary to establish and strengthen management rules and regulations. In terms of the next 2 to 3 years, what should be included? Based on the experience of several advanced enterprises over the past few years we may sum this up as "one system and four comprehensives."

"One system" refers to the basic system--a democratic centralist leadership system. This includes a very important point, that is, democratic management by staff and workers. This is also a key characteristic of socialist enterprises. What we are engaged in is Chinese-style modernization. Capitalist enterprises at times also emphasize democratic management, such as West Germany which has adopted the worker participation system and a board of directors which makes use of worker participation, etc. Under such a system of private ownership, however, workers cannot truly be their own masters; there can only be steps to alleviate the labor-management contradiction. When it involves the basic interests of capitalists, the right to decision still resides with the chairman of the board who represents the interests of capitalists. The modernization of socialist enterprises must, above all, incorporate the special features of socialism. This system does embody socialism and this is most basic. This is the "one system."

Work in enterprise management is made up of the four areas of comprehensive management, namely, the "four comprehensives": comprehensive planning management, comprehensive quality control, comprehensive economic accounting, and a comprehensive labor management system.

"Comprehensive management" was introduced from abroad. This so-called comprehensive management is a form of overall management or system management. In the past enterprise management stressed specialized management such as commodity management, labor management, etc. It lacked a system for organizing the chief objectives of enterprises. Actually, much of our work is done in this manner but the guiding ideology of management is not that clear; no systematic ideology is used to handle the various tasks of management work. In the phase of restorative consolidation, after the "gang of four" was overthrown, comprehensive quality control was introduced (at that time problems in quality were quite serious). Comprehensive quality control holds that product quality does not depend on inspection departments in isolation. The entire process and all staff should be part of quality control.

In this way quality control becomes systematic control. Once this idea was introduced several enterprises in Shanghai developed this idea while studying and popularizing it. A Shanghai diesel engine plant successfully carried out economic accounting; they believed that the spirit of comprehensive quality control could be applied in addition to economic accounting. All departments throughout the plant participated in economic accounting and were equally involved in the entire process. From design and technology to marketing, all sectors focused on economic accounting and all staff participated. Thus emerged the new concept "comprehensive economic accounting." Later, after further development, the State Economic Commission added another "comprehensive," namely, comprehensive personnel training. Comprehensive personnel training should be a part of comprehensive personnel labor management. If training is not linked to management of other personnel affairs, then we cannot say it has been effective; we can at least say it has not beey very effective. For example, at present, some enterprises and numerous departments have organized many training classes to train qualified personnel. The training has played a major role these past few years in upgrading the level of management and the educational and technical levels of workers. Nevertheless, certain conditions have arisen. Based upon what I know, prior to the previous wage evaluation they were very active because they heard that during wage evaluation their work would be checked. Later on wage evaluation became irrelevant and their enthusiasm suddenly disappeared. Why? They lack enthusiasm because it is a case of "it is required that I learn" rather than "I want to learn." A change in the position of the same few words results in a totally different situation. If comprehensive personnel labor management were implemented, and training, assignment, utilization, promotion, and transfer were all taken into account, conditions would change fundamentally. For instance, it is stipulated that several grades of work are required for entry into every position. Certain knowledge and skills are specified and it is required that the person entering the position must have attained a specific educational level and a technical training certificate. Only after undergoing training and passing an examination can he enter that position. Suppose that you are a grade three worker and you undergo training, pass an examination, and reach the grade four level. You will then be assigned to a grade four position and will enjoy its benefits. Later on you may have the opportunity to be chosen to undergo further training and attain the grade five level. You will be sent to a grade five level position and will enjoy its benefits. If such a comprehensive personnel labor management system is formed, every worker will have the attitude towards training of "I want to learn" rather than "it is required that I learn." Through study it is possible to improve oneself, which is of benefit to the collective, to work, and to the individual. This is the means for developing men of talent. It is called "comprehensive management" because throughout the plant, regardless of the department or individual concerned, training and rational utilization are needed. This involves the overall process and all personnel. Merely implementing training for all personnel will not resolve the problem (of course, it still plays a large role); there should be a comprehensive personnel management system which includes personnel training.

Comprehensive planning management. Planning in capitalist enterprises is very careful yet there is no planning in overall social production. In socialist countries, not only should planning in enterprises be very strict but there is also planning in the overall national economy which is linked to enterprise planning. Our production must satisfy the needs of society and it is embodied, above all, in the implementation of state plans. There must be improvements in state planning. It should satisfactorily reflect all the most important needs of society that are related to the national policy for the people's livelihood. This is the part that makes up ordered plans. Some enterprise products go towards fulfilling state orders, other products meet the demands of society through market regulation. In this way, enterprises must make their own market surveys and forecasts. The purpose here is also to satisfy the demands of society. An enterprise must combine state plans and its own product plans for "seeking grains under the pot" or promoting sales to form an enterprise production goal, an overall goal. In order to realize this overall goal it is necessary to break it down bit by bit among various departments and basic levels. This constitutes comprehensive planning management in enterprises. Thus, we believe that it is necessary to establish comprehensive planning management with the goal of fulfilling state plans and satisfying the needs of society (this is similar to target management abroad). Production business planning, from production to marketing, is the principal line but it is still necessary to organize, by means of planning, this line and the supplementary production and service work involved. All sections and departments in enterprises should have plans; moreover, they should be implemented at each level and in every position by every individual so that the activities of all people in the enterprise are planned and have objectives. Also, these plans must be consistent with the planning objectives of the entire enterprise. This is the most complete and comprehensive form of enterprise management, that is, comprehensive planning management.

Comprehensive quality control is basically use value control. Comprehensive quality control is currently being promoted in all enterprises and they are all fairly familiar with it. However, one misunderstanding persists: often comprehensive quality control is seen as quality control in the production process. This is not enough. True comprehensive quality control should proceed from meeting demands and the feedback of market information. Not only does this include work quality but also product quality and the suitability of product variety specifications to market demand. This broad concept should be part of the meaning of the term. Some comrades advocate that "comprehensive quality control" be changed to "comprehensive quality and technical control." Actually this will resolve problems in product and technical development; it involves control of the entire plant as a system from the perspective of use value. Comprehensive economic accounting, on the other hand, involves control from the angle of value and live and materialized labor consumption.

Marxist economic theory holds that commodities have a dual nature: they have use value and they have value. Comprehensive quality control (also known as comprehensive quality and technical control) and comprehensive economic accounting, based on the two aspects of commodities, form exactly two systems which exert control. Here we are referring to physical objects, particularly the objects of labor. The creation of all objects depends on people; thus, the management of people is involved. There must be comprehensive personnel labor management which has motivating worker initiative and exploiting men of ability as its goal. The first two kinds of comprehensive management proceed from the dual nature of commodities and the last one has to do with people. On top of this there is even more complete comprehensive planning management. If we combine these kinds of management, they constitute one system. In addition, we must also have a democratic centralist leadership system. This "one system and four comprehensives" management system emerged from the masses. In it we can see the embryonic form of a Chinese-style socialist enterprise management system. It corresponds to the economic laws of socialism and to the fundamental principles of Marxism.

After analyzing the Central Committee directive in early 1982 we believed that it involved the establishment of an enterprise management system (or organizational system) which corresponded to the special characteristics of China. This is the last item of the three establishments in enterprise reorganization--the establishment of a scientific and civilized management system.

How do we gradually bring about modernized management? First of all there should be a Chinese-style socialist management system as the foundation. We must earnestly sum up experiences learned from abroad in the 30 years since the founding of the nation as well as our own experiences. We must put the "one system and four comprehensives" into concrete terms. All this should be the final work to be done in enterprise consolidation. Conditions permitting, nothing must be excluded; both the "one system" and the "four comprehensives" can assimilate and apply modern foreign enterprise management techniques. For instance, comprehensive planning management can apply foreign target management experiences which include numerous fine methods. The situation regarding comprehensive quality control is even more clear-cut as we have already absorbed and applied the numerous quality control techniques of Japan and the United States. Comprehensive economic accounting is economic accounting of the entire process. It is necessary to have economic concepts for products beginning with design and technology and then implement budgeting, make economic appraisals, and absorb methods of value engineering from abroad. Comprehensive personnel labor management is similar in that much of foreign behavioral science is colored by capitalism. Nevertheless, there are also many fine techniques that we can borrow. There are also numerous methods we can make use of in establishing a leadership system that is both democratic and centralized. For instance, there is the matter of how to set up management offices. Thus, we can learn from the fine experiences of other countries and apply them to the "one system" and the "four comprehensives." There is one important point however; when absorbing foreign experiences it is necessary to have our own experiences as the basis. We must not copy others indiscriminately, for this would make it impossible for new methods to really take root. We should consider our own experiences as the foundation and then go on to assimilate the fine methods of foreign countries so as to enrich our own experiences. This is certainly not a return to the situation of blind opposition to all things foreign that occurred during the period of the "gang of four." Blind opposition to everything foreign is not right; neither is thinking that "the moon over foreign countries is fuller than the moon over China." That too is going to extremes. Once we have our own system and have summed up our own experiences, then we can selectively adopt all modern foreign management exeriences that are beneficial, useful, and good for us. While doing so, we can also make changes based upon our own circumstances. If there are some areas in which we are advanced and doing well, then there is no need to copy foreign experiences. In the preceding period, RENMIN RIBAO published my article, "Striving To Establish a Socialist Science of Management Which Is Uniquely Chinese," in which this issue was discussed. It is said that some comrades took exception to some wording in this article. For example, I wrote: In quality control "we already have numerous 'reliability team' activities that are distinctively socialist, so it is not necessary to simply imitate foreign 'quality control teams.'" Some comrades felt that I put this badly. People are just now implementing quality control teams and I am throwing cold water on them. To date, I have not yet figured out why we should set up such teams (perhaps I am being rather obstinate). This does not mean that we cannot study those methods. Why not absorb the methods of others while having our own reliability teams as the basis? Japan has had many fine experiences, one of which is significant and worth studying. They are very good at assimilating the experiences of foreign countries. Japan assimilates techniques as long as they are successful from all over the world, not only modern ones, but even ancient ones. Some time ago a professor from Japan came here to give lectures. He made a point of talking about absorbing ancient Chinese thought in Japanese management, particularly the military strategies of Sunzi. They have learned about comprehensive quality control from the United States without copying it indiscriminately, and have developed quality control that is distinctively Japanese. Their management by the masses was inspired by our experiences in the "two participations and one reform," and quality control teams came into being in this way. We should also emulate all the fine things of foreign countries. No matter whether they are from Japan, the Soviet Union, or the United States, we should absorb them all as long as they are useful for us. We must not, however, imitate indiscriminately. We have our own fine things that we must develop. It is necessary to put our experiences first and augment this with the fine methods of others, that is, add flowers to the brocade. Take for example the reliability teams instituted by the Loyang Bearing Plant. Their four areas of reliability are: In manufacturing a product it is first necessary for the firm to be reliable and then for inspectors and consumers to be reliable, and finally to be responsible to the state so that the state is reliable. Only the working classes in socialist countries have this kind of spirit and drive. Why do we not give it full play? We can assimilate the experiences of Japan's quality control teams so as to enrich our reliability teams. In this way they will have our own distinctive characteristics and it will be even easier to inspire the broad masses of workers. Under the principle of upholding the socialist way, we must be broad-minded and incorporate all the fine things from other countries and make them our own. Thus, as we look at modernization we first of all encounter the problem of making foreign things Chinese.

The 12th CPC Congress, and particularly Comrade Deng Xiaoping's inaugural remarks, provided a highly generalized look at how to correctly approach the experiences of foreign countries which, I believe, may be equally applied to modernized management.

Due to limitations of time I am unable to offer further elaboration of what I have discussed today. It is very possible that certain comrades will think that I am being complacent and conservative, indulging in parochial arrogance and engaging in narrow-minded nationalism. Actually this is not my intent. Take for example the popularization of foreign experiences in comprehensive quality control. Since the beginning I have participated in popularization. I have been very much in favor of this and certainly have not opposed it. However, I feel that it is necessary to undergo comprehensive enterprise reorganization to accomplish those goals mentioned above, one of which is to establish an enterprise management system that incorporates Chinese-style socialism. Let us all join forces and work together.

Please feel free to point out any errors I have made in this talk.

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NATIONAL POLICY AND ISSUES

DIVISION OF COUNTRY INTO ECONOMIC ZONES URGED

Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 6, 28 Nov 85 pp 45-49

[Article by Liu Zaixing [0491 0375 5281], Statistics Institute, Chinese People's University, "Various Problems in Integrated Economic Zoning"]

[Text] 1. Should Primary Economic Zoning Be Done

I believe that not only should primary economic zoning be done, but that it should be begun as quickly as possible. This is because intermediate and long-range planning requires an accurate arrangement of proportional relationships for development between areas, a rational distribution of productivity, and the strengthening of macroeconomic control, all of which require delineation of economic zones from the outset. Though administrative zoning can take over the task of organizing regional economic activities to a certain extent, nevertheless administrative zoning arises out of political considerations, area units being drawn up for the sake of administrative management and control. The purview of these areas frequently differs from economic zones delineated primarily on the basis of economic factors and may readily lead to use of administrative methods to manage the economy for a rigid system of regional management that violates economic laws and that artificially cuts economic and technical links among areas. The laying out of productivity patterns in terms of three major economic areas is a major step forward from the use of administrative regions; nevertheless, the three major economic zones are a rather crude delineation that can only reflect the overall trend and the general outlines of the macroeconomic pattern of the entire country at a certain stage. Since China is a vast land in which the differences in the north, south, east, west,and center of the country are very great, division of the country into only three economic zones would make difficult the resolution of an equitable division of labor between one region and another and overall development of the economy within economic regions, which is to say it would be difficult to put in place an overall trend in the patterns of productivity. During recent years a regional pilot project for land planning has been implemented in which various kinds of "economic zones" have been defined. Because specific tasks in zoning have varied, the purview and the emphasis of work have differed, and the types have been different, it has not been possible to dovetail one region with another or to harmonize the contents of one plan with another to form a multi-level interrelated economic zone system. Consequently, it has also been difficult to solve the problem of regional division of labor, and the basic regional units for laying out patterns of productivity have also not been suitable. The essence and major tasks in primary integrated economic zoning is to focus on a whole region's national economy under guidance of the unified state plan and in accordance with the objective conditions with the region and requirements for a regional division of labor to determine the region's direction of development, goals, strategic focus, industrial structure, overall pattern of various construction endeavors, and study of regional development policies and plans, as well as coordination of economic activities among regions and within component parts of regions for economic integration. Comparatively speaking, planning of the patterns of production on the basis of these kinds of zoning is relatively scientific.

2. Principles for Integrated Zoning of the Economy

On the basis of the nature and mission of comprehensive zoning of the economy, the fundamental principles of zoning should be as follows: the existing level of development of production in the region, the main tasks faced, and the similarities in the direction of development as well as the differences in these regards in each area. Internal similarities are the foundation that gives rise to regional economies' inherent cohesiveness. Differences from other regions is the basis for regional divisions of labor throughout the country. In terms of inherent characteristics, regional zoning amounts to the rational use of these differences, making the most of strengths and special qualities of individual areas to augment and perfect the national economic system of the entire country.

Specifically, the following must be considered:

First, an integrated economic region has to have an historically-formed, characteristic economic specialization and a certain amount of all-around economic development, or else it has to have basic conditions and potential for regional specialization and overall economic development that are of national significance.

Second, the region has to have a fairly high level of development of varying size and diverse functions, an economic hub, and a relatively well developed economic nucleus area that radiates outward for some distance and that is able to organize and energize economic development of the entire area.

Third is an economic and technical relationship among all regional elements in the region that has formed historically and that will continue to form. Of particular importance is a fairly consistent flow and a substantial volume of flow for the movement of principal production elements between key cities in the region and their areas of attraction.

Fourth, as a matter of principle, primary integrated economic zoning should not upset administrative zoning and should take into consideration administrative zoning elements. When conflicts between the two are fairly great, administrative zoning should be readjusted to fit in with needs for development of economic zones.

Fifth, there should be no geographic overlapping among economic zones on the same level.

There are several issues of principle here that require further study.

First, should integrated economic zoning cover all the land in the country? Certain views believe this to be unnecessary. They advocate that economically fairly mature areas or those that will shortly become key construction areas should institute economic zoning; for the time being, other areas need not become a part of the economic zoning system. We disagree with these views. This is because the integrated economic zoning that we want to carry out now is to be based on the objective laws of regional economic development, with zoning being used to determine the overall blueprint and overall strategy for regional economic development in order to bring all economic regions gradually from immaturity to maturity and to develop from a low level stage to a high level stage rather than wait for individual economic areas to develop to a mature stage before being divided up into economic zones. Realistically, economically developed areas ought to carry out economic zoning, to be sure that they become more mature. In the course of their development, undeveloped areas, including those that are not key national construction areas, also have their own individual economic and social problems requiring solution. In the division of labor system throughout the country, they also have to shoulder national burdens large or small, or of this kind or that. We cannot push them off to the side simply because they are presently backward, disassociating them from the main stream of national development. Therefore, they must also carry out economic zoning, become a part of the national system for a division of labor, define their individual directions of development in order to help coordinate on a national scale proportional relationships for the development of developed areas, moderately developed areas and undeveloped areas, key areas, and general areas.

Second, should consideration be given to primary integrated economic zones being geographically dovetailed with the three major economic areas? This was considered in the USSR where the two major eastern and western economic areas individually include various numbers of primary integrated economic zones. Appropriate consideration should be given to this in China as well; however, this should not be the sole principle used in zoning. Because use of primary integrated economic zoning in the USSR for arranging the patterns of nationwide productivity has a fairly long history, primary integrated economic zoning networks have come into being, and the division into the two major eastern and western economic zones is used in conjunction with primary integrated economic zoning as macroeconomic regional elements in arranging patterns of productivity. Since this began only with the Seventh 5-Year Plan (1966-1970), the zoning of economic regions must consequently take into consideration the primary integrated economic zoning system that had developed earlier. Such is not the case in China. Of greater importance is that since macroeconomic region zoning is not in the same category as overall economic zoning, just as overall economic zoning is not in the same category as specialized economic zoning, geographically there is no need to impose a dovetailing of the two.

Third is how to regard the role of economic centers in zoning principles. The sphere of attraction of economic centers and the economic and technical links that have been formed with the sphere of attraction are major principles in zoning. However, in the actual application of these principles, first, one cannot make them absolutes or place undue emphasis on them. Integrated economic zoning has to focus on the spatial organization of the whole reproduction process; one cannot focus solely on the commodity circulation link. Second, one cannot confuse the sphere of attraction with the geographic sphere that general commodity circulation may reach. The sphere of attraction of an economic center is much smaller than the area that the exchange of its goods reaches. The sphere of exchange of Shanghai's products extends to virtually every part of the whole country; however, one cannot suppose that the whole country is within the sphere of attraction of Shanghai. If this were so, a single Shanghai economic region would be enough for the whole country. Third, one cannot statically look at the economic and technical spatial links that have already formed; one must statically estimate what effect the readjustment of the patterns of productivity and the structure of regional industries will have on economic and technical spatial links over the near term and the short term as well as the trends of change that will ensue from this.

Fourth, should accessibility to the sea be a principle for integrated economic zoning? I believe that zoning should take this factor into account, but it should not be a principle for zoning. China is a vast land, only one part of which fronts the sea. Objectively it is not possible for every integrated economic zone to include one or several seaports of their own. Even if the entire Chang Jiang basin and the Huang He basin were to be divided into two large primary integrated economic zones, Xizang and Xinjiang would still not have their own access to the sea.

3. Specific Division of Primary Integrated Economic Zones

Consideration may be given to dividing the whole country into the following six primary integrated economic areas, Hong Kong, Macao, and Taiwan excepted for the time being:

1. The northeast region including Liaoning, Jilin, and Heilongjiang Provinces and the three eastern leagues and one city of Nei Monggol. South central Liaoning, Haerbin, Changchun, and Jilin are the economic hub of this region, with Shenyang, Dalian, and Haerbin at its center. Marked economic specialization has already taken place in this region. Among all the regional elements in the area and between all sectors of the national economy fairly close economic and technical ties have formed. The unity and integration of the economy is also fairly marked, making it a primary class integrated economic area that is fairly mature, relatively speaking. A severe shortage of coal and electric power and insufficient coordination in the development of agriculture, light industry, and heavy industry are common problems faced. Intensification of the exploitation of energy resources in eastern Nei Monggol, eastern Heilongjiang, and around Shenyang, priority development of industries and skills that can serve in the technical transformation of heavy

industry with a corresponding bolstering of agriculture and light industry, plus making further use of the area's role as a nationwide heavy industry base is the orientation of development of this region.

2. The north China region or the middle and lower reaches of the Huang He. This includes western Nei Monggol, Shanxi, Henan, Hebei, Shandong, Beijing, and Tianjin, to form an economic nucleus centering around Tianjin for the whole region stretching from Beijing to Tianjin and Tanggu, along the Ji'nan-Qingdao railroad line, along the Datong-Pukou line and along the Zhengzhou-Loyang line and centering around Tianjin. This area already has a fairly marked regional economic complexion backed by a strong coal mining industry and based on abundant mineral resources within the region as well as on agricultural raw materials of which cotton, tobacco, tussah silkworm cocoons, peanuts, and sesame are paramount, with fairly well developed mining, raw and processed materials and manufacturing industries. Historically all the provinces in this region have had relatively close economic and technical ties. Water energy is inadequate, however, and the ecological environment is fairly fragile. Development of transportation and communications and of industrial and agricultural production is particularly not in keeping with requirements for major construction and this is a major problem requiring solution. Expansion of the scale of development of mineral resources in which the region enjoys advantages, principally the mining of coal, active development of the processing and transformation of natural resources in which the region holds advantages, good performance in the building of energy, heavy industry and chemical bases, and the completion of the infrastructure, principally transportation, attention to ecological agriculture, revival of ecological balance, the building of a benign cycle in the national economic system, and the ecological system are the main goals of the future.

3. The central China region or the middle and lower reaches of the Chang Jiang. This includes Hunan, Hubei, Jiangxi, Shanghai, Jiangsu, Zhejiang, and Anhui. Centering around Shanghai and Wuhan, the Chang Jiang delta, Daye district and Zhangzhutan district in Wuhan, and the area along the Chang Jiang in Anhui Province are the economic hubs of this whole area. This area is fairly well integrated economically, and the extent of specialization of its diversified industrial and agricultural production is also fairly high. Within the region, the north has coal energy and the south water energy; the north grows cotton and the south grows rice. The east possesses skills, capital, and human talent, and its processing capabilities are great. The west has natural resources and raw and processed materials. Economically, the eastern, western, southern, and northern parts of the region complement each other rather well. Strategic readjustments in the structure of the region's industries, using advanced technology to transform existing traditional industries, increasing the proportion of new technology industries, all-around development of the middle and lower reaches of the Chang Jiang, construction of a concentrated industrial area along the Chang Jiang, strengthening of economic and technical links among all parts of the region, and participation on a larger scale in a division of labor inside and outside the country is the future direction of development of this region.

4. The southeastern region. This includes Fujian, Guangdong, and Guangxi provinces. Centering around Guangzhou, the Zhu Jiang delta is the economic hub

of this whole region. This area neighbors Hong Kong, Macao, and southeast Asia, and overseas Chinese capital, overseas Chinese remittances, and overseas Chinese skills provide strength that can be used in construction. In this region are concentrated the country's four large special economic zones, four open cities and two open economic areas. It serves as a bridge for attracting the foreign and linking the domestic, and as a springboard for the transfer of technology and the transmission of information. It is renowned throughout the country as being a land of fish, rice, flowers, and fruit and as a semi-tropical and tropical treasure land. China's oceangoing shipping lines and its "southern trade routes" to southeast Asia and Oceania have ports in this region as their origin from which distances are shortest. "Western trade routes" that go via southeast Asia and Africa to Europe begin from coastal ports and have to head south toward Singapore first before turning westward, and navigation routes to these areas that start from ports in this region are also shortest. Thus it has an extremely favorable economic and geographic position for taking part in a modern international division of labor. Development of processing industries and commodity agricultural production for trade, industry, and agriculture; building of entrepot ports and port industries for international ocean transportation; development of finance and banking and of information industries, and of processing industries that do extensive and fine processing of high and medium quality canned food and clothing, of semi-tropical and tropical crops, and of products of the sea; electronic instruments; fine chemical industries; as well as the building at South China Sea petroleum bases of petrochemical industries and follow-on industries to form a regional economic system that faces outward from China is the future course of development in this region. Development of hydroelectric resources of the Hongshui He and the Min Jiang water system and navigation on the Xi Jiang, building of trunk railroad lines to connect the southwestern hinterland, and diversification of the structure and sources of regional energy are important requirements in solving the region's energy problems and advancing regional economic development.

5. The southwestern region. This includes Sichuan, Guizhou, Yunnan, and Xizang. Centering around Chongqing, the Chengdu-Chongqing area, the Kunming area, and the Guiyang area are the economic hubs of this whole region. This region is rich in hydroelectric power resources, vanadium, titanium, cobalt, bauxite, copper, lead, zinc, tin, mercury, manganese, cadmium, phosphate, halite, asbestos, and natural gas. The combination in a single region of mineral resources and hydroelectric resources is fairly ideal. The border region among Sichuan, Yunnan, and Guizhou provinces is also a place in which substantial amounts of coal and iron are found in combination. As compared with the eastern part of the country, this region has abundant energy and mineral resources. In comparison with the northwestern part of the country in which mineral resources are equally plentiful, the natural environment and the existing industrial and agricultural base is superior. The building of large numbers of large hydroelectric power stations as a foundation for the building in stages and in groups of integrated production bases with industries that consume large quantities of energy from diverse sources; the building of light and textile industry bases with unique regional characteristics in places that are self-sufficient in grain; the building of forestry bases that can be used in perpetuity and that have as their main purpose the conservation of water resources and that are based on afforestation; and the use of railroads as the

backbone for transportation with highways being built first, plus navigation of the Chang Jiang and its principal tributaries in combination with development of hydroelectric power will be the future emphasis in opening up the region.

6. The northwest region. This includes Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang provinces. Centered around Xi'an and Lanzhou, the central Shaanxi area, and the Lanzhou area are the economic hubs of this region. In this area, coal, water, oil, and gas energy is fairly plentiful, and there is an abundance of nickel, molybdenum, and platinum as well as beryllium, lithium, niobium tantalum, sylvite, boron, sodium, saltpeter, asbestos, and magnesium, and it is also a region of the country that is spacious and that has abundant land resources, particularly grasslands. The natural environment for the farming industry has its daunting side; on the other hand, there are long hours of daylight, strong solar radiation, high cumulative temperatures, and a great difference between daytime and nighttime temperatures that favor crop growth. The main problems are a scant population, lack of transportation, a weak economic and technical foundation, a shortage of capital, a shortage of skills, and a shortage of skilled people. Natural resources above and below the ground are a long way from having been transformed into economic strength. Making the most of grass, forests and minerals, using ecological agriculture to spur light and textile industries and to advance other industries and tertiary industries, curing poverty and becoming prosperous, gradually establishing animal husbandry, forestry, and fruit industry bases, setting up processing bases for animal husbandry and forest products as well as renowned native specialties, and establishing a basis for coal, water, oil and gas, and all-around use of superior mineral resources to set up key chemical industry bases is the course of future development in this region.

There are still several problems here requiring further study as follows:

First is expansion of the present Shanghai economic area to the two lakes [Tai Hu and Hongze Hu] to make it the central China area or the area in the middle and lower reaches of the Chang Jiang. This should be done mostly because the Shanghai economic region needs close cooperation with the areas around the two lakes for hydroelectric power and for raw and processed materials. Furthermore, transfer to the area of the two lakes of some industries that consume large quantities of electricity and raw materials would be also very convenient. Development of the area around the two lakes also requires establishment of economic links with the open city and open economic area in the Shanghai economic region, full use of the convenience that the Chang Jiang provides, its opening eastward to the sea, and better use of the Shanghai economic region's capital, technology, and skilled people.

Second, the transitional position of Shaanxi Province is fairly apparent. It may be delineated as part of the middle and lower reaches of the Huang He in terms of its basic conditions and potential plus the course of its future development. With the building of energy and bases for heavy and chemical industries centered in Shanxi, its economic and technical links with Shaanxi, Henan, and western Nei Monggol will be further strengthened. However, inasmuch as the removal of Shaanxi from the northwest region would mean that the northwestern region of the country would lack a fairly powerful economic center and a fairly well developed province that serves as a forward moving base for the economic development of the whole area and without which the formation of a regional economic network would be difficult, its inclusion as part of the northwestern region would be preferable. Similarly, were Sichuan Province to be withdrawn from the southwestern region and made into an independent economic region, similar problems would occur.

Third, development of Xinjiang and Xizang is of special strategic significance. However, were they to be made separate primary level integrated economic regions, they would obviously lack requisite conditions. For a long time to come, both Urumqi and Lhasa will be unable to stand as economic centers of a primary level integrated economic region. Therefore, they should be made respectively a part of the northwestern region and the southwestern region and where circumstances warrant, they may be made secondary integrated economic regions in the northwestern region and the southwestern region. Wouldn't such a division mean that the northwestern region and the southwestern region were too large? A look at the historical process of development of regions shows that the geographic size of a region is frequently in inverse proportion to economic strength. The size of an economic region that is economically in the developmental stage or maturing stage is frequently greater than the size of a region that is economically mature. The land area of the USSR east of the Urals accounts for three-fourths of the USSR's land area, yet it has been divided into only five primary integrated economic regions. These regions are much larger in size than the economic regions to the west of the Urals. At the present stage, the economy of the northwestern and southwestern parts of China is fairly backward, so it makes some sense for these regions to be somewhat larger. One cannot generalize as to whether it is better for a region to be larger or smaller. Of paramount importance is whether it can fairly completely give expression to the main principles of zoning, and whether it helps realize the main tasks of zoning.

Fourth is the issue of the jurisdiction in which Guangxi should be located. If one takes into account that the southwestern region is accessible to the sea, and if one takes into account the coal fields in Guizhou and eastern Yunnan, the phosphate rock and the development of hydroelectric power from the Hongshui He in Yunnan and Guizhou, the construction of railroads between Nanning and Fangcheng and between Nanning and Kunming, which will strengthen Guangxi's economic and technical links with Yunnan and Guizhou, making Guangxi a part of the southwestern region makes sense. However, a look at the historical, present, and future direction of development of the region shows economic and technical ties between Guangxi and Guangdong provinces, which are closer and more broadly based in an overall sense. In particular, when one takes into consideration the opening of China to the outside world and the effects on the pattern of China's productivity resulting from participation in the contemporary international division of labor, inclusion of Guangxi with Guangdong and Fujian provinces in a southeaster coastal economic region is more appropriate.

In passing, if one takes into consideration the undeveloped state of China's communications and transportation at the present stage, the too low a density of the road network, very great economic and natural disparities, then overall, smaller regions make more sense in helping organize regional economic activities. In addition, in view of the pattern of key construction by the end of this century and its effects on regional development, one might consider some readjustments in the foregoing zoning, zoning the country into the following 10 primary level integrated economic regions:

1. The northeast region including Liaoning, Jilin, Heilongjiang, and three leagues and one city in eastern Nei Monggol;

2. The Beijing-Tianjin-Hebei region;

3. The Shanghai economic region including Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, and Shandong;

4. The Fujian, Guangdong, Guangxi region;

5. The Shanxi economic region including western Nei Monggol, Shanxi, Ningxia, Shaanxi, and western Henan;

6. The central China region including Hubei, Hunan, southern Shaanxi, and eastern Henan. If Sanxia Province is established, it would also be included here;

7. The Gansu-Qinghai region;

8. The Xinjiang region;

9. The Xizang region;

10. The Sichuan, Yunnan, Guizhou region.

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NATIONAL POLICY AND ISSUES

VICE MINISTER URGES IMPROVING COMMUNICATIONS SERVICE

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 52, Dec 85 p 4

[Article: "Communications Enterprises Should Strive To Improve the Quality of Service"]

[Text] Yuan Baohua, vice minister of the State Economic Commission, delivered a speech at the National Forum on Communications Work. He said: All people and all sectors of the national economy are very concerned with and have great expectations on communications, transport, and telecommunications undertakings as a whole. Over the years, all comrades of communications, transport, and telecommunications departments have made great efforts which can be summarized in two phrases: 1) fast development and 2) great achievements. In the past few years, the export volume of Shanxi's coal has increased 10 million tons annually, which is a very high growth rate. Things which need to be improved can also be summarized in two phrases: 1) provide convenience for customers and 2) pay attention to safety. How can we solve problems in these two areas? A very important rule is to implement conscientiously the remarks made by Premier Zhao at the party congress when he was explaining the proposal for the "Seventh 5-Year Plan." Premier Zhao said: "We should improve the quality of enterprises by coming to grips with the two links of improving the quality of products and reducing the consumption of goods and materials. In China, enterprises' technology is backward, but management is worse. Necessary technological transformation should be carried out during the "Seventh 5-Year Plan" period, but judged from actual conditions, improving and strengthening management to raise administrative and managerial standards is of more urgent and immediate significance." We should attach great importance to strengthening the management work of transport and telecommunications enterprises.

Comrade Yuan Baohua made four concrete suggestions:

1. All communications, transport, and telecommunications enterprises should consider improving service quality and strengthening safety as the central task of enterprise management and consider improving economic results as the central task of their work as a whole. They should implement the spirit of giving first priority to quality and safety. Communications, transport, and telecommunications departments are all service departments. They should gear to the need of national economic development, conscientiously resolve the

problems of inconvenience and poor safety for the masses, improve service quality, and strengthen safety work. A general quality inspection was carried out recently. Since social demand for manufactured goods exceeds supply, some enterprises begin to ignore quality. This is not right. When we say improving economic results, we mean unifying enterprises' economic results with social results. Only when social results are placed in the first place can enterprises' economic results have practical significance.

2. Great importance should be attached to strengthening the basic work of enterprise management. Some 50,000 state-owned industrial, communications, transport, telecommunications, and construction enterprises have undergone consoldiation. Although enterprises have been accepted as up to standards after the consolidation, the basic work of enterprise management is still very weak. During the general industrial survey, many problems have been exposed in the basic work of enterprise management. Some enterprises have been accepted as up to standard after the consolidation, but they fail to fill out 50 percent of the blanks on the forms of the general survey. This very much deserves our attention. The general industrial survey serves to acquire a better picture of our national conditions and strength and therefore all blanks on the forms must be filled out completely and properly. However, with regard to our enterprises' basic work, some original records are incomplete, some measuring equipment is inadequate, and some quotas and standards are nonexistent. Leading comrades at all levels, especially enterprises' leading comrades, must attach great importance to this matter and strengthen the six basic works of enterprise management.

3. Efforts should be made to strengthen modernized management of enterprises. In other words, we should add a new step next year on the basis of enterprise consolidation and acceptance. Advocating modernized management is one of our important means to improve service quality, strengthen safety work, and tap enterprises' potential. When we carry out technological transformation, we need modernized management as a foundation. If we have modernized equipment and technology, but no modernized management, raising the technological standards of enterprises will be nothing but empty talk.

4. The management work of communications, transport, and telecommunications, like all other work, should pin hopes on reform. While carrying out decontrol and advocating flexibility, efforts should be made to do a good job in the internal economic responsibility system of enterprises to arouse fully the enthusiasm of the broad masses of staff members and workers for making a common success of enterprise management and enable our equipment and resources to be used rationally to yield maximum economic results.

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NATIONAL POLICY AND ISSUES

REASONS FOR CARRYING OUT PRICE REFORM PRESENTED

Kunming YUNNAN RIBAO in Chinese 3 Jan 86 p 3

[Article by Bei Xi [0554 6741]: "Why Is It Necessary To Carry Out the Reform of the Pricing System?"]

[Text] Since last year, in accordance with the clear stipulations of the central government, we have made an important step in the reform of the pricing system and readjusted some irrational price parities by increasing prices which should be increased and reducing prices which should be reduced. This has played a positive role in accelerating the development and circulation of commodity production, increasing the supply of non-staple foodstuff to urban areas, improving the living standards of urban residents and alleviating shortages in energy supply and communications facilities. However, some comrades do not understand the situation as a whole and are used to the long time practice of unitary circulation channels and unified state prices. Therefore, they are not used to seeing market prices going up and down nor do they understand why prices vary constantly since the launch of price reform. They even begin to complain and resent it, saying that the price reform is the "idea" of a few experts. They question whether the orientation of the price reform is correct.

Are these doubts justified? To answer this question, we must first get a clear picture of the current situation of China's pricing system. In the past, due to certain reasons, we always considered the law of value as something that can be willfully restricted and transformed by socialism; we also exercised stifling control over commodity prices. Because of this plus other irrational factors left over from the old society, China's current pricing system is very confusing, which is mainly demonstrated in the following areas:

1. Price parities between different commodities are irrational. The prices of mineral products, raw and semi-finished materials, and energy resources are too low whereas the prices of processed goods are too high. Coal is the food of industry, but the price of China's coal is equivalent to only a small portion of the price on the international market. According to some local statistics, in 1983, the production cost for 1 ton of coal was about 29.82 yuan but the ex-factory price was only 23.62 yuan. Plus other expenses, producing 1 ton of coal incurred over 9 yuan of loss. A similar situation also exists in Yunnan's non-ferrous mineral products. In addition, enterprises, which use China's cheap raw and semi-finished materials and energy resources

to carry out processing, make profits whether their processing and management are good or poor because surplus products created by the mining industry are transferred to processing enterprises through an exchange of unequal value. As a result, mining and ore dressing are strenuous but not lucrative, some plants and mines have suffered losses for a long time, their staff members and workers' production and living conditions cannot be improved accordingly, and their production develops slowly, whereas processing enterprises gain good profits and develop fast in spite of poor management, backward production techniques, low labor productivity, and high cost of production. This is like "making bricks without straws" in industrial production, resulting in the stockpiling of large amounts of processed goods.

2. There is little difference between the prices of similar commodities of different qualities. Those with higher quality are not priced higher than those with lower quality. Take bicycles as an example. "Feige" 101, which is a popular brand made in Tianjin, and "Fenghuang" 12, which is made in Shanghai, are sold at 155 and 149 yuan respectively. Some non-popular brand products are much inferior than popular brands in regard to appearance and performance, but their prices are only 10 yuan lower. As a result, popular-brand bicyles are in short supply while non-popular brand bicycles are in excess supply. Take soy sauce, which is a daily necessity, for another example. There are two prices on the market. One is ordinary soy sauce, which is sold at 0.3 yuan per kg. The other is spiced soy sauce, which is sold at 0.48 yuan per kg. The price difference is less than 0.2 yuan. Yunnan Province has some traditional popular-brand soy sauce such as Tuodian Soy Sauce of Shuangbo and Tonghai Soy Sauce which require different production techniques and raw materials and have different cost of production, but it is very difficult to develop them because price differences resulting from quality differences have not been expanded.

3. The state purchasing prices of farm and sideline products are higher than their sales prices. In order to solve the historical problem of the excessively wide scissors price differential of industry and agriculture, in the past few years the state has increased the purchasing prices of farm and sideline products substantially and allowed their sales prices to remain unchanged. All these measures are necessary and correct, but they have caused a new problem. That is: State price subsidies for farm and sideline products have increased year after year. For instance, the purchasing price of rice plus processing and management fees average 0.5 to 0.6 yuan per kg and in Kunming City, rice is sold to urban residents at about 0.3 yuan per kg. Normally, when there is a bumper harvest, state burdens should be reduced. Now, the situation is just the opposite. The more bumper harvests there are, the heavier state financial burdens become and the more subsidies are required to make up the differences between purchasing and sales prices. In 1983 alone, state price subsidies cost 34 billion yuan of state revenue, equivalent to a fourth of annual state revenue. At the same time, because state financial resources are limited, it has also affected the further development of agriculture.

4. Some businesses of the tertiary industry have low fee standards and the service industry has long been run as a welfare business, resulting in a lack of vitality and slow progress and causing many areas to suffer shortages of

housing, transportation, tailoring, and bathing facilities. For instance, our housing costs only several fen per square meter for low standards and merely 1 to 2 jiao for high standards. Such housing fees cannot even cover maintenance and repair expenses. The backwardness of the tertiary industry is also an important cause of enterprises managing society, thereby hindering the improvement of the economic results of society.

The above explains that an irrational pricing system is unfavorable to planning and managing the national economy, correctly evaluating the management results of enterprises, implementing the principle of to each according to his work, unclogging the circulation of goods and materials between urban and rural areas, and satisfying the people's daily needs. Therefore, it has become imperative and absolutely necessary to reform the pricing system in a planned and step-by-step manner in accordance with the requirements for the exchange of equal value and changes in the supply and demand relation, according to the development of production and state financial capacity and under the prerequisite of ensuring gradual increases in the people's actual income. If we can basically smooth out our pricing system in a 5-year period and lay a solid foundation for China's economic revitalization in the next 10 years, our nation will be prosperous and the final beneficiary will be the broad masses of people. It is thus clear that the current price reform is by no means a "bad idea" espoused by a few experts, but a major policy to enrich the nation and benefit the people.

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NATIONAL POLICY AND ISSUES

PRICE INCREASES JUSTIFIED IN SOCIALIST SOCIETY

Kunming YUNNAN RIBAO in Chinese 3 Jan 86 p 3

[Article by He Yang [4421 5017]: "Are 'Static Prices' A Superiority of the Socialist System?"]

[Text] Some comrades say: "I would rather have static prices and no raises." Others believe that static prices are the superiority of socialism. These comrades are probably not sincere when they say they "would rather have no raises." What they really want is that prices remain unchanged. They think that price reform is the same as a price increase and a price increase violates socialist principles. Equating price reform with a price increase is a sheer misunderstanding. Let us set aside this question for now. Here, I would like to discuss the questions of whether it is possible to have "static prices" in reality and whether static prices are a superiority of socialism.

As a socialist country, China naturally pursues a price policy that brings about basic stability. But stabilizing prices is not the same as freezing prices. It has two implications: 1) The general price indexes should remain generally stable; and 2) the prices of major products which affect the national economy and the people's livelihood should not be changed easily. Demanding that the prices of all products remain unchanged is improper and impossible both in theory and practice. We understand that price increases and decreases of all commodiites are determined by their value--namely, social labor time required for producing them--and affected by the supply and demand relation. When a certain commodity is in short supply, its price will go up and beyond its value. When it is in excess supply, its price will go down and even below its value. At this time, the supply and demand relation will develop toward the opposite direction. It is in this way that value and price and production and demand affect and change each other. Therefore, it is absolutely normal for product prices to vary within a certain range in accordance with the changes in the cost of production and the market supply and demand situation.

Take pork as an example. The elders all know that in history there has always been an issue of price ratio between pork and grain. Under normal circumstances, the ratio is generally 1:5--namely, the price of 1 jin of pork equals the price of 5 jin of grain. This is the reason why the peasants are willing to raise hogs and why there is plenty of pork supply on the market.

Why is it necessary to maintain this rational price ratio? In economic terms, it is because the price is determined finally by value. To raise a pig, the peasants have to feed it grain, find greenfeed for it, build a pigpin, and keep it clean of manure. When the pig is ill, they have to send for a veterinarian. The money they spent and the labor they put in is what we called necessary social labor consumed in production. If the peasants cannot get compensation for their labor and gain some profits by selling pork, their enthusiasm for raising hogs will be dampened. Our past policy was to assign purchase quotas for hogs and allow above-quota grain to be sold at higher prices, resulting in an irrational price ratio between pork and grain, one that was much lower than 1:5. The peasants calculated and felt that it was not worth the efforts; therefore, hog production was slow and market supply was reduced. Since the pork price was decontrolled, in spite of price increases, price ratio between pork and grain has become more rational as each day goes by, the peasants' enthusiasm for raising hogs has been aroused and market supply has increased. This explains that price increases and decreases are not determined by the people's subjective wishes. Instead, prices vary according to changes in the value of commodities and the supply and demand relationship.

In the past, for many reasons we considered the law of value as something that can be willfully restricted and transformed by socialism, as if the state could set prices freely without having to abide by any objective laws. But the reality is not so. The "Decision of the CPC Central Committee on the Reform of Economic Structure" made a major breakthrough in socialist economic theory by clearly pointing out that China's economy is a commodity economy based on public ownership. Under a commodity economy, China must recognize the function of the law of value. Adopting administrative means to freeze prices may prove effective for a short period of time, but long-term deviation of prices from value would cause serious effects on production and living standards and lead eventually to price readjustment. For instance, machine-made wrist-watches have been highly priced for many years. Their production cost is only a little over 10 yuan, but their sales price is over 100 yuan. Stimulated by large amounts of taxes, many provinces and municipalities have built wrist-watch plants and caused the supply to exceed the demand and many products to become stockpiled. Since coal prices have been low for a long time, many provinces and municipalities are unwilling to invest in coal mines and would rather ask the state for coal. Naturally, coal has become a product in short supply and its prices must be increased.

Some comrades cherish the memory of the price control situation before the 1970's and even believe that only that kind of practice can demonstrate the superiority of socialism. In fact, this is a misunderstanding. The law of value functions whereever there are commodities and commodity production. The difference is that in a capitalist society, due to the anarchy of production, the production and sales of various commodities are regulated automatically by the law of value through price increases and decreases. In a socialist society, due to the public ownership of means of production, the production and distribution of various major products are arranged by state plans; therefore, it is possible to use the law of value to guide the national economy through the readjustment of market prices and develop toward a correct orientation to meet state interests and satisfy the people's demands. In this sense, China's current readjustment of an irrational pricing system in accordance with actual conditions, which has caused price hikes for some commodities and price reduction for others, is not a bad thing, but a good thing. It should not be considered as a capitalist practice, but as socialist superiority brought into play.

In the past, we exercised stifling control over prices. Very little readjustment was made even when the production cost of some commodities had changed drastically or prices were obviously irrational. Especially during the "Cultural Revolution" period, the government, for fear of market confusion, ordered a price freeze which lasted for 10 years. As a result, the production of many commodities was insufficient, supply fell short of demand, and commodities were distributed according to dozens of coupons to people standing in long lines. Some commodities could never be seen on the market except for their price tags. China had to import large amounts of grain, cotton, and oil until 3 and 4 years ago. Historical experience tells us that "price stability" achieved by freezing prices through administrative means is no more than a false appearance. It is actually a "hidden price increase." At the same time, wages cannot be raised for a long time either. This does not conform to objective economic laws. It might also create confusion of economic relations.

In sum, the thought that one "would rather have static prices and no raises" is impractical. It is not feasible in real life. It is also not favorable to improving the people's living standards. In the course of price reform, outdated ideas like this should be changed.

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CSO: 4006/696

NATIONAL POLICY AND ISSUES

PRICE REFORM IMPROVES LIVING STANDARDS

Kunming YUNNAN RIBAO in Chinese 3 Jan 86 p 3

[Article by Shen Jun [3088 3182]: "Is Price Reform Aimed To Take Advantage of the People?"]

[Text] Our purpose of reforming the irrational pricing system is to straighten out prices, achieve a benign circle of economy, and bring about healthier and more balanced economic development in China. Fundamentally speaking, it is for the interests of the people. But when some comrades saw that prices increased for some commodities in the reform, they commented: "To put it bluntly, price reform is price increase. The fact is that the state has problems and is trying to shift them to the people."

This is a misunderstanding. We can see from the initial price readjustment carried out since 1978 and the actual conditions of reform that price reform is to carry out structural readjustment, adjust irrational price ratios, reduce prices that should be reduced, and increase prices that should be increased. Not all prices have been increased. As for state problems, the fact is that everybody can see and feel how good the current political and economic situations are in China. In the past 7 years since the 3d Plenum of the 11th CPC Central Committee, an excellent political situation of stability and unity has been brought about gradually, the economy has become increasingly vigorous, the task of striving to achieve a fundamental turn for the better in the financial and economic situation has been basically fulfilled, and the national economy as a whole has entered a stage of steady, sustained and balanced development. In 1984, China's total industrial output value exceeded 1 trillion yuan, an increase of almost 1-fold over 1978. China reaped a great bumper harvest for 6 consecutive years. In 1984, China's per-capita grain output reached the world level of 400 kg. Commodity circulation has developed rapidly and the situation of slow production development and slow improvement of the people's living standards over the years has also been reversed fundamentally. As far as Yunnan Province is concerned, great achievements have been scored in economic development and other socialist undertakings and prospects are very good. The economy has increased steadily and continuously. In the past 4 years, the gross value of industrial and agricultural output on the average increased 11.1 percent a year; the national income, 10.9 percent; the retail sales of social commodities, 14 percent; and revenue, 17.3 percent. After the readjustment of industrial lineup in the past few years, the ratios between industry and agriculture and between light and heavy industry have gradually become balanced. The ratios between accumulation and consumption and between production and construction have also become rationalized. Initial changes have been made in the closed-door economic system. Urban and rural areas have witnessed the prosperous phenomenon of the common development of various economic forms. The masses' living standards have been continuously improved. Such an excellent situation has been rare in the past 36 years since the founding of new China. Judged by the country as a whole, things are not getting worse but better than ever. We are now advancing toward the comfortably well-off level. There is no need to take advantage of the people. Of course, the state does have some problems. For instance, during a certain period of time, too much currency was put in circulation, the scale of capital construction was overextended, and credit and consumption funds increased sharply. All this has created some problems, but they are only minor problems that arise in the course of advance. The state is working on them. Some have already been solved to certain degrees. Therefore, there is absolutely no need to take advantage of the people.

We understand that the current pricing system still has many problems and that the reform is a must if we want to develop the national economy in a healthy and continuous manner. However, the price issue concerns the relations of economic interests among the state, collectives, and individuals, among different individual laborers and among different economic organizations. It has a vital bearing on the daily life of millions of people. Without the basic guarantee of a stable and united political environment and the precondition of an excellent economic situation and certain material foundations, it will be impossible to carry out the reform of the pricing system. During the period when "the class struggle was considered as the key link" and endless political movement was carried out, price reform was of course out of the question. During the period when thousands of people took to the street to "do away with the party committee to carry out revolution " and to stop production and schooling to "carry out revolution," goods and materials were scarce and the national economy was on the brink of collapse, not to mention the reform of the pricing system. The only solution then was to freeze prices and issue various kinds of ration coupons. It is the foundation and support of the current excellent situation that made it possible to carry out the reform of the pricing system. Our current reform of an irrational pricing system is to carry out voluntary price readjustment to bring about healthier and more balanced economic development during a period in which production is developing and the people's living standards are improving. It is totally different from the situation in which crisis was shifted to the people through passive runaway inflation and all-round price increases resulting from the worsening economic situation that once occurred in China before the liberation and in foreign history.

A basic principle for our price reform is to guarantee that the actual income of the broad masses of urban and rural residents is not reduced because of price readjustment. After the decontrol of pork prices, Yunnan Province issued a certain amount of price subsidies to urban residents in order to guarantee that the people's actual living standards do not decline because of the decontrol. From January to October 1985, Yunnan Province issued 66.27 million yuan of meat subsidies to the residents. The figure was estimated to reach 89.3 million yuan by the end of 1985. To reduce the people's expenses on meat, poultry, eggs, vegetables, and coal, state financial departments also issued loss subsidies to food, poultry and egg, vegetable, and coal companies. It is estimated that this year Yunnan Province will spend a total of 170.2 million yuan for the subsidies of policy-related money-losing commodities and for the meat subsidies of the residents, an increase of 71.41 million yuan over 1985. Of course, in the course of price readjustment, it is impossible to subsidize everything. For instance, the prices of some fresh and live commodities will increase slightly during the initial period of price decontrol. For another instance, the prices of low-priced, small commodities will also increase after the decontrol, but after awhile, there will be more commodities on the market and the prices will drop back to the original level. This is what we called market mechanism and regulation. Because of this, we cannot deny that readjusting the prices of some products can directly and indirectly make the price indexes of retail sales go up within a certain period of time. The state has managed to keep the increase of the price indexes of retail sales under the lowest limit. At the same time, the state should make appropriate arrangements to increase the income level of the people. Following the 3d Plenum of the 11th CPC Central Committee, the party and the government readjusted workers' wages on a relatively large scale on four occasions in 1979, 1981, 1982, and 1983. In 1985, wage reform was carried out on the prerequisite of raising wages for all staff members and workers. Since this wage reform is aimed at gradually establishing a rational wage system and workers pay will not increase substantially, the scale of price readjustment is also limited. We are taking small steps, one step at a time. We know that the prices of some products are irrational, but we will not readjust them for the time being. At the same time, the state has also strictly stipulated that no one and no unit is allowed to take advantage of the reform and increase prices indiscriminately to encroach upon consumers' interests; if they do, they will be dealt with severely.

In sum, if we must say that price reform is aimed at the people, we may say that it is aimed to benefit the nation and the people and guarantee that the people's living standards will not decline but improve continuously.

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NATIONAL POLICY AND ISSUES

VICE MINISTER URGES FULL USE OF EXISTING EQUIPMENT

Beijing QIYE GUANLI [ENTERPRISE MANAGEMENT] in Chinese No 52, Dec 85 pp 5-6

[Article: "Fully Develop the Potential of Existing Equipment"]

[Text] Zhao Weichen, vice minister of the State Economic Commission, delivered a long report at the National Forum on Communications Work which was held recently. After reviewing the current situations of communications, transport, and telecommunications and analyzing the situation of the "Seventh 5-Year Plan" period, he addressed in particular the several tasks that need to be done well in the "Seventh 5-year Plan" period:

1. Increase Transport Capacity and Make Proper Arrangements for the Transport of Major Goods and Materials and Passengers

In the first few years of the "Seventh 5-Year Plan" period, all areas and departments should on the one hand do a good job in construction to increase capacity and on the other hand strengthen technological transformation and equipment upgrading of existing railways and harbors, adopt emergency measures to increase the traffic capacity of bottle neck areas, rush to repair some coal transit lines, traffic diverting lines, and connecting lines, as well as merge and yield stops, step up efforts to manufacture some locomotives and freight and passenger cars, speed up the transformation and construction of some berths, expand lighter tranport operations, strengthen the organizational work of transportation, make full use of highway, inland waterway, and air transport, tap potential, and strive to increase passenger and freight volume.

Transport arrangements should be made according to the principle of making all round arrangements with consideration for both passengers and freight and taking into account general tasks with key ones guaranteed. The transport of coal, petroleum, grain, steel products, timber, cement, light and textile products, market supplies, and import and export commodities, which affect the national economy as a whole, should be considered as key tasks and arrangements should be made accordingly. Best possible arrangements should also be made for the tranport of other goods and materials.

2. Do a Good Job in Reform and Allow Further Decontrol and Flexibility

Prority must be given to reform in order to accelerate the development of transport and communications.

A. Do a good job in streamlining administration and decentralizing power to increase the vitality of enterprises. In reform, railway and posts and telecommunications departments should correctly handle the relationship between centralization and enterprise flexibility. The dispatch and control of railway transportation and the posts and telecommunications network should be centralized while enterprise administration and management must be decentralized and flexible. Water, highway, and air transport departments have decided to separate government functions from enterprise management. Efforts should be organized to carry out this decision in a step-by-step manner. Administrative departments should gradually shift their main energies from enterprises directly under their control to industrial management, strengthen macro-control, and render better service. Harbors and navigation [illegible] should be placed under separate management, railway stations and transport brigades should be separately established, and airports and airlines should be separated. Conscientious efforts should be made to lower the administrative level of the harbor system. There should be only one harbor administrative bureau for each harbor city to avoid confusion created by multiple administrative departments. When carrying out the reform of enterprise system, all areas and departments should first let enterprises have the powers to which they are entitled.

B. Continue to relax rules and allow more flexibility to arouse the enthusiasm of all fields. Efforts should be made to encourage everybody to engage in the construction of transport, posts, and telecommunications facilities. Except for transport, posts, and telecommunications departments, all trades and professions are allowed to take up this undertaking alone or with cooperative efforts under the guidance of state plan. The state, localities, departments, and enterprises should make concerted efforts and raise funds through various channels such as loans, pooled funds, and foreign capital to build railways, wharfs, highways, airports, and posts and telecommunications facilities and purchase vehicles, ships, and airplanes. With regard to Chinese-foreign joint ventures for the construction of harbors and wharfs, policies should be relaxed, the time limit of the joint venture may be allowed to exceed 30 years, and preferential tax treatment may be granted. With regard to private wharfs and other special facilities built by enterprises, whoever built them should control and benefit from them. Loans used to build expressways, first-grade highways, high-standard second-grade highways, bridges, and tunnels may be repaid by collecting fees.

Transport monopoly and departmental and regional barriers should be eliminated. The state, collectives, and individuals should be encouraged to engage in transport business at the same time and compete with each other. Such facilities as harbors, river ports, airports, and railway stations should be socialized to serve all vessels, vehicles, and airplanes engaged in transportation.

C. Strengthen legislation and do a good job in control. Pertinent laws and regulations should be formulated for the development of transport, posts, and telecommunications undertakings so as to exercise control according to law and protect the enthusiasm and lawful rights and interests of all trades and professions for developing transport and communications. It is necessary to strive to establish, within 2 to 3 years, organic laws concerning railways, highways, harbors, aviation, and telecommunications and formulate urgent rules and regulations concerning the contracts of freight transport and joint transportation. Before national laws and regulations are promulgated, local laws and regulations may be formulated in all areas in accordance with local reality and reported to provincial (autonomous region or municipal) people's governments to be approved for implementation.

3. Do a Good Job in the Rational Division of Labor Among Different Modes of Transportation

Rational division of labor should be carried out in the development of various modes of transportation. To organize rational division of labor in transport, it is necessary to pay attention to developing the advantages of "long distance, large volume, and heavy load" in rail transport and the advantage of flexibility in highway transport, make full use of river transport, and attach great importance to the development of civilian air transport.

4. Strengthen Control and Strive To Improve the Quality of Transport and Communications Services

Currently, rough handling of cargoes, ill treatment of passengers, and mail delays and abandonment still happen now and then. All areas and departments should vigorously consolidate and develop the results of enterprise consolidation and strengthen basic work. Conscientious efforts should be made to organize the people to implement the eight measures put forward by the "Circular on Strengthening the Work of Improving the Quality of Freight Transport in a Comprehensive Manner" issued by the State Economic Commission. Those who incur losses due to illegal operations and rough handling of cargoes should be carefully investigated, dealt with severely, and held responsible for the compensation of the losses. Those who abandon leadership and neglect duties should be investigated and held responsible. Those who are rude toward passengers and those who deliberately delay and abandon mail should be promptly investigated and punished. Unhealthy tendencies such as concocting various pretexts to collect fees and jack up prices indiscriminately under the names of reform and flexibility should be corrected immediately. Illegal activities such as using one's powers for illegal sales of railway carriages, cabin seats and tickets, giving or receiving bribes, blackmail, graft, and embezzlement should be banned resolutely.

5. Develop Local Communications

For some time to come, efforts should be concentrated on transforming main economic highways, highways entering and exiting large and medium-sized cities, highways diverting traffic from harbors, railway stations, and areas where passenger and freight traffic is heavy; the dead ends of trunk lines should be openned up and connected to other roads; ferries should be changed to bridges step by step; and highways of relatively high standards should be built to speed up road construction in old revolutionary bases and minority, border, and impoverished areas.

To develop inland navigation, attention should be paid to harnessing and developing river courses and removing lock gates and embankments that obstruct navigation to improve navigation conditions. It is necessary to develop new-style boats and ships, replace wooden ships and technically backward ones, and popularize the use of push barges. Local areas may use their own investment, join investment with central departments or use their investment plus a proper amount of state subsidies and take advantage of favorable local conditions in regard to dismantling, removal, land purchase, and recruiting to carry out local railway construction.

6. Vigorously Develop Container and Joint Transport

Efforts should be made to see to it that by the year 1990 all export goods suitable for container transport are basically transported by containers and that 5-ton containers are widely used on main domestic transit lines.

7. Speed up the Development of Posts and Telecommunications

Various means and technology should be used to develop posts and telecommunications through different levels in a step-by-step manner. Great efforts should be made to strive to alleviate the shortage of posts and telecommunications facilities within a relatively short period of time.

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JINGJI RIBAO OBSERVER COMMENTS ON INDUSTRIAL DEVELOPMENT

HK021304 Beijing JINGJI RIBAO in Chinese 28 Apr 86 p 1

[Observer's article: "Take a Cool and Positive Attitude Toward the Current Rate of Industrial Development"]

[Text] Some noticeable conditions have appeared in our country's industrial production during the 1st quarter of this year. Industrial output in January surpassed that in the same month of last year by 5.6 percent (output in December last year was 10.2 percent more than that in December 1984) but dropped by 5.6 percent as compared with December last year; output in February was 0.9 percent higher than that in the same month of last year but continued to drop as compared with that in January this year; and the national average output in March rose by 6 percent as compared with that in the same month of last year; but various regions differed greatly from one another in output. What attitude should we take toward this "small fluctuation" in this year's industrial growth rate and what lesson should we learn from it? This is an important question concerning our assessment of the current economic situation and our correct guidance over economic work.

On the one hand, sufficient attention should be paid to the decline in growth rate. The growth rate has lowered a bit too much in the first 2 months of this year. This excessive decline should not be mistaken as a normal effect of the macroeconomic policy and therefore regarded as unimportant. Many regions have promptly studied the reasons for the decline in growth rate and adopted practical measures to organize production and maintain a certain growth rate. This is utterly essential. We should not set unrealistically high targets. However, while improving economic benefits and coordinating the proportions, we should strive for a considerably high growth rate. A high or low economic growth rate is an important indication of the good or poor economic situation of a country. This year is the 1st year of the Seventh 5-Year Plan period. It is necessary for industrial production to maintain a certain growth rate, whether judging from the point of accomplishing the Seventh 5-Year Plan or accomplishing this year's plan, and whether judging from the point of satisfying the needs of the current national construction and the people's growing livelihood demands or from the point of promoting the reforms and consolidating and developing the excellent economic situation.

On the other hand, there is no need for alarm at the temporary decline in growth rate. It should be recognized that the current general situation of industrial production is good. According to an estimate by the relevant department, although the growth rate in February this year was a bit low, the aggregate total output value of January and February accounted for 13.9 percent of this year's total output value. This percentage is not small at all compared with those in many past years. This shows that we still can fulfill and may even overfulfill this year's state plan as long as we draw effective measures and grasp them tightly. Furthermore, in January and February this year, the average growth rate of industrial production as a whole was relatively low, but the situation of production of energy, raw and semi-finished materials, and readily saleable goods was quite good, state revenue was satisfactory, and there were adequate electrical appliances for the whole year. These are favorable conditions for us to maintain a certain growth rate and to accomplish the state plan. One may fail to see the formidable conditions and, in view of the temporary drastic decline in growth rate, may make pessimistic estimate of one sort or another of our country's industrial development. This is incorrect. If we are frightened out of our wits and, as we did before, try to force the lower levels to fulfill the output targets and do a rush job of attaining our output quotas regardless of consequences, then we can only encourage falsity and formalism and can neither have a really high growth rate nor obtain substantial economic results.

Some people hold that with the general decline in growth rate it is better to change the fundamental orientation of the macroeconomic policy which has been carried out over the past year and to relax the control over the general social demands. This viewpoint is open to question. Our country is carrying out its modernization program on a large scale. With a population of more than 1 billion, it is a big country and rather poor. It has a very wide market, which has a huge demand for goods. Most of its natural resources are lying dormant under the ground without being explored and used. Most of the mountainous areas are separated from one another by high mountains and have very poor transportation facilities. In addition, the old managerial system is still playing a role to a certain extent. Therefore, in our country, the imbalance between total supply and total demand often finds expression in the drastic increase in demand, that is, the total demand surpassing the total supply, which is limited by resources and funds. We must consider these special conditions of our country when we decide on measures to cope with the decline in growth rate. The output of energy and raw and semi-finished materials continued to grow in January and February of this year. However, the short supply of energy and raw and semi-finished materials remained an important cause of the decrease in production or the drastic decline in growth rate in some regions. Large quantities of energy and raw and semi-finished materials have been used by the capital construction, which continues to expand in scale. In this sense, the "decline" in growth rate at the beginning of this year was actually the aftermath of the "exceedingly speedy development." In solving questions in this connection, we still have to adhere to two prerequisites: First, improvement of economic results and social benefit; second, the "four impassable restrictions," that is, capital construction funds, credits, foreign exchange, and consumption funds. We must see that the momentum of excessive investment over the past 2 years has now slowed down a bit, but the problems have not yet been completely solved and many localities and units are still blindly embarking on new projects, thus creating the hidden danger of continuous expansion of the scale of investment. For this reason, we must not relax macroeconomic control. If we relax macroeconomic control and increase the demands, then the hidden danger of an increase in investment will lift drastically and the "exceedingly speedy development" will reappear before long.

In view of the "exceedingly speedy development" which began to show itself in the winter of 1984, the state adopted the policy of strengthening macroeconomic control of the total demand and exercised control by means of "soft landing" instead of "emergency braking." Undoubtedly, it was entirely correct for the state to do that. However, there were shortcomings in macroeconomic control over the past year and more: Some localities applied the brake too quickly; some localities exercised control by administrative means and by "quietly restoring" the rights and interests which they had relegated to the enterprises during the reform; in tightening the money market and controlling foreign exchange and supply of raw and semi-finished materials, there existed the phenomena of demanding "uniformity" and some of the raw and semi-finished materials in short supply were also put under control. Some methods of administrative control were actually the ones that had been adopted for readjusting the old system. An investigation of some 200 enterprises in Shanghai reveals that the restoration of decisionmaking power from enterprises in some degree is an important factor of the decrease in production or the excessive decline in growth rate in the first 2 months of this year. This shows that all we need is to seriously sum up experience and improve macroeconomic control instead of relaxing it. The State Council recently formulated regulations on further promoting lateral economic cooperation. Its purpose was to clarify the orientation of and pave the way for improving macroeconomic control.

In short, in handling the question of growth rate, we must be cool-headed, realistically analyze the causes, and actively work out countermeasures, so as to solve problems in a down-to-earth manner and raise our economic work to a new level.

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HUBEI ACTING GOVERNOR GUO ZHENQIAN'S REPORT

HK100222 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 9 May 86

[Excerpts] Acting Governor Guo Zhenqian pointed out in his report on the draft of the province's Seventh 5-Year Plan that during the period of the plan it is necessary to focus on improving product quality and reducing material input in strengthening enterprise management and promoting technological progress. An appropriate industrial growth rate should be maintained under the premise of raising economic results.

He said: Improving product quality should be listed as an important content of the enterprise economic responsibility systems and be linked to the workers' material interests. The large and medium enterprises should take the lead in his respect.

He pointed out that improving product quality and reducing material input are to a very large extent decided by an enterprise's technological transformation. The following are the focal points in technology transformation: 1) Large and medium enterprises with a bearing on the overall picture of the national economy; 2) backbone enterprises that play a leading role in a particular sector, and enterprises that earn foreign exchange through exports; 3) the machine-building and electronics industries. We should apply new technological fruits from all over the world and import advanced management methods to transform our traditional industries.

He said: We must readjust the industrial production structure and the product mix and speed up the development of weak industrial sectors. The province's economy and raw materials industries must be strengthened. At the same time, we must vigorously develop the food and fodder industries and the high and textile industries. We must give these industries priority in loans, foreign exchange, energy raw materials, and transportation, to support their development. [Paragraph as received]

Comrade Quo Zhenqian pointed out in his report: During the Seventh 5-Year Plan the province must strive to increase exports and earn more foreign exchange. Under this premise, we should also expand imports.

He said: In expanding foreign trade and increasing our ability to earn foreign exchange from exports, we must start with the production of export commodities. We must step up the construction of production bases, special plants, and special workshops for export commodities, establish an export production structure and put it on a sound basis, and gradually form a relatively stable source channel of export commodities.

While developing exports of traditional commodities, we should vigorously develop new export goods and raise exports of machinery and electrical goods to an important position. In the latter period of the Seventh 5-Year Plan, we should put on the international market a variety of mass-produced competitive products.

He said: In expanding exports, we should on the one hand grasp production of export commodities and on the other actively open up the international market. We should also import advanced foreign technology, software, and key equipment items. The channels for using foreign investment should be further widened. We should actively open up new ways to tap the potentials of the province's non-trade foreign exchange earnings. The province has abundant tourism resources and very good conditions for developing international tourism.

During the Seventh 5-Year Plan, we should, in our foreign affairs work, open up some more windows for developing external economic and technological cooperation. Thus our foreign affairs will provide still better service for economic construction and social development.

Comrade Guo Zhenqian said: Economic invigoration must depend on the progress of science and technology. We must grasp science and technology development as a focal strategic point during the Seventh 5-Year Plan, bring the entire national economy onto the track of scientific and technological progress, and strive for a breakthrough.

Hubei has accomplished more than 1,000 important fruits of science and technology in recent years, but we have not done enough in popularizing and applying them. We must take effective steps to convert these fruits into direct productive forces as quickly as possible.

During the Seventh 5-Year Plan, we must attach as much importance to education as we do to economic construction. Spending on education during these 5 years will amount to 4 billion yuan, an increase of 60 percent over the Sixth 5-Year Plan. The provincial CPC Committee and government regulations on increasing education spending must be implemented by the government at all levels.

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HUBEI'S GUO ZHENQIAN URGES IMPROVED LIVING STANDARDS

HK110225 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 10 May 86

[Excerpts] Comrade Guo Zhenqian stressed in his report on the draft of the province's Seventh 5-Year Plan that Hubei must develop literature and art, radio and television, journalism and publishing, public health, and sports, so as to invigorate the masses' revolutionary spirit.

He said: Social benefit must be the supreme criterion for literature and art work. Writers must strive to create good works that reflect the four modernizations drive and the mood of the era. We should further readjust, reform, consolidate, and improve the professional arts performing troupes, add more cultural facilities, and do a good job in running libraries, cultural centers, and museums.

In order to improve radio and television reception in mountain counties, we should complete the construction of four main microwave links in the province. The transmitting power of key stations in northwestern and northeastern Hubei should be increased in a planned way. We should also build a number of satellite receiver stations.

A peak number of people will be entering marriageable age during the Seventh 5-Year Plan. It is essential to assign an important position to family planning work, make a success of bringing up chidren in the best way, and properly control population growth.

Acting Governor Guo Zhenqian pointed out that the living standards of urban and rural people will continue to increase during the Seventh 5-Year Plan as production develops and economic results improve. At present the province's level of industrial and agricultural production and labor productivity are low. The growth in consumption must be lower than the growth of production and labor productivity. Capital also has to be accumulated for national construction. Consumption cannot increase too much, otherwise the fundamental interests of the people and state will be harmed. We must clearly explain this reasoning to the masses, and ensure that they continue to carry forward the revolutionary tradition of waging arduous struggle and building the country with diligence and thrift.

Of course, we should exert all possible efforts to solve an outstanding problem related to the masses' daily life. We must do our best to place the newly-grown laborers in jobs, and work hard to solve the drinking water problem in the urban and rural areas.

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GANSU PEOPLE'S CONGRESS SESSION OPENS 6 MAY

HK070147 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 6 May 86

[Excerpts] The fourth session of the Sixth Gansu Provincial People's Congress opened in Lanzhou on 6 May. Present were responsible comrades of the party, government, and army including Li Ziqi, Huang Luobin, Wang Luobin, Wang Bingxiang, Liu Bing, Jia Zhijie, Lu Kejian, Dong Zhanlin, Pei Jiuzhou, Ge Shiying, Guo Hongchao, Liu Shu, Lu Min, and Zhang Wule. Li Dengying, chairman of the provincial People's Congress Standing Committee, declared the session open at 0900.

Vice Governor Hou Zongbin delivered a government work report. He said: The province fulfilled and overfulfilled the main targets for the Sixth 5-Year Plan. The report was in three parts: 1) on the execution of the Sixth 5-Year Plan and a review of government work in 1985; 2) on the goals of endeavor and the main construction guidelines for the Seventh 5-Year Plan; 3) on the tasks of 1986.

He said: To ensure the fulfillment of the tasks and goals of endeavor for the Seventh 5-Year Plan, we must have a clear understanding of the following main guidelines for construction:

1. Put reform in the first place and ensure that reform and construction match and stimulate each other.

2. Control the scale, readjust the structure, guarantee the key points, and attach importance to economic results. We must do a good job in comprehensively balancing overall social supply and demand.

3. Develop the rural economy with the aim of enriching the masses. We should follow the path of planting grass and trees, invigorating agriculture and animal husbandry, promoting diversification, and making the people rich.

4. Do a good job in the technological transformation and the modification and expansion of existing enterprises and follow the path of expanded reproduction by mainly relying on internal factors.

5. Develop lateral economic ties and stimulate various types of joint undertakings.

6. Promote the progress of science and technology and pay attention to exploiting brain-power.

7. While promoting the building of material civilization, we must vigorously step up the building of socialist spiritual civilization.

Hou Zongbin said: The period of the Seventh 5-Year Plan is a key period in all-round reform, in economic and social development, and in the enrichment of the masses. The guiding idea for the province's economic and social development for this period is to promote reform, base our efforts on transformation, open the doors wide, organize development to enrich the people, rely on the progress of science and technology, continually improve economic results, speed up the pace of economic and social development, strive to achieve the first doubling 1 year ahead of schedule, and lay the foundation and create a reserve force for all-round invigoration of Gansu's economy during the 1990's.

The province's economic and social development must be focused on agriculture, communications, energy, raw materials extraction, the processing industries, and science and technology. In economic pattern, in accordance with the inherent economic ties and the principle of integrating economic, social, and ecological benefit, we should gradually form an economic pattern with local characteristics with the five cities of Lanzhou, Tianshui, Jinchang, Xiayuguan, and Baiyin as its props.

The province's main targets during the Seventh 5-Year Plan are as follows: Industrial and agricultural output value should reach 24 billion yuan, rising at an annual average of 8.4 percent. This includes output value of 5.5 billion yuan in agriculture, rising at an annual average of 5.6 percent; output value of 5 billion yuan in light industry, rising at an annual average of 10.4 percent; and output value of 13.5 billion yuan in heavy industry, rising at an annual average of 9 percent. Gross domestic product should reach 19 billion yuan, rising at an annual average of 10 percent. National income should reach 15 billion yuan, rising at an annual average of 8.4 percent. Financial revenue should reach 2.18 billion yuan, rising at an annual average of 6 percent. Retail sales volume should reach 9 billion yuan, rising at an annual average of 10.3 percent. Foreign exchange earnings from exports should reach $150 million, rising at an annual average of 16.2 percent. Workers' wages should rise at an annual average of 4 percent, and average peasant net income should increase to over 400 yuan, rising at an annual average of 9.3 percent. We must solve properly the problems of food and clothing in areas in difficulty.

Vice Governor Hou Zongbin stressed in his report: We must put reform in the first place during the Seventh 5-Year Plan and ensure that reform and construction match and stimulate each other. The Seventh 5-Year Plan is a reform plan. We must uphold the orientation of reform and take steady steps in reform. The various reform measures must be properly coordinated, to ensure and promote the stability and development of the entire economy. The following are the main aspects of economic structural reform during the Seventh 5-Year Plan:

1. Continue to take external and internal measures to further invigorate the enterprises, especially the large and medium enterprises owned by the whole

people, to ensure that they will truly turn into socialist commodity producers and operators making their own operational decisions and being responsible for their own profit and loss.

2. Further develop socialist planned commodity markets and gradually perfect the market setup.

3. Improve the handling of the relationship between macroeconomic control and microeconomic invigoration. While continuing to invigorate microeconomic activities, we must organize coordinated reforms in planning, prices, finance, and the labor wages system, and strengthen indirect macroeconomic control. We should gradually succeed in applying economic and legal measures and bringing into play the role of various economic levers, and also take the necessary administrative measures to regulate production and demand, the better to bring into full play the economic results of the enterprises and society.

4. In rural reforms, we must consolidate the results already achieved, retain what is beneficial, and eliminate the defects. We should focus on solving a number of outstanding problems in the second stage of reform, so as to coordinate them and take still greater strides.

5. Continue to reform the management systems of science, technology, and education. We must gradually change the system of allocating funds, open up a technology market, turn the fruits of science and technology into commodities, and develop integration of research and production. We should gradually put into effect graded administration of ordinary education, readjust the structure of secondary education, readjust the structure of secondary education, develop vocational and technical education, and expand the decisionmaking powers of institutes of tertiary education.

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CSO: 4006/1024

PROVINCIAL AFFAIRS

HUBEI PEOPLE'S CONGRESS SESSION HOLDS MEETING

HK131300 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 12 May 86

[Excerpts] This morning, the Fourth Session of the Sixth Provincial People's Congress held its third plenary meeting at Hongshan Hall, Wuchang, to listen to the work report of the provincial People's Congress Standing Committee, the work report of the provincial People's Higher Court, and the work report of the provincial People's Procuratorate.

At 0900, Jiao Dexiu, executive chairman of the session, announced the opening of the meeting. Entrusted by the provincial People's Congress Standing Committee, Li Fuquan, vice chairman of the provincial People's Congress Standing Committee, made a work report of the provincial People's Congress Standing Committee to the meeting. Then Ma Liang, chief of the provincial Higher Court, made a work report of the provincial People's Higher Court, Zhong Shuqin, chief procurator of the provincial People's Procuratorate, then made a work report of the provincial People's Procuratorate.

The executive chairmen of today's meeting were Han Ningfu, Huang Zhizhen, Huang Zhengxia, (Liu Shuwei), (Zhang Deguang), (Zheng Shaobo), Xiong Zhenhua), and (Li Rongjiu). Seated on the rostrum at today's meeting were the other members of the presidium of the session; responsible comrades of the provincial CPC Committee, provincial Advisory Commission, provincial government, provincial CPPCC Committee, provincial Discipline Inspection Comission, and Hubei Military District; and CPC Central Committee members who are in Wuhan. The committee members who are attending the Fourth Session of the Fifth Provincial CPPCC Committee attended today's meeting as non-voting delegates. Others attending today's meeting as non-voting delegates were some NPC deputies and responsible comrades of all city and county People's Congress standing committees.

This afternoon, the financial budget and financial statement examination committee of the Sixth Provincial People's Congress held its second meeting to discuss and adopt the report on the draft of Hubei's 1985 financial statement and the 1986 financial budget which had been made by He Fulin, director of the provincial Finance Department, and to disucss and adopt the corresponding resolutions for the submission to the third meeting of the presidium.

In the work report of the Hubei Provincial People's Congress Standing Committee given at the Fourth Session of the Sixth Provincial People's Congress today, Li Fuquan, vice chairman of the provincial People's Congress Standing Committee, said: Over the past year, centered on reform of the economic structure with the stress on the urban areas, the provincial People's Congress Standing Committee has seriously performed all functions and powers stipulated by the law and further given play to its role as a local organ of state power in the course of developing socialist democracy, putting the socialist legal system on a sound basis, and promoting socialist modernization. In the report, Li Fuquan also reviewed the measures taken and achievements scored by provincial People's Congress Standing Committee over the past year in supervising the enforcement of the law.

In the work report of the provincial People's Higher Court given at the Fourth Session of the Sixth Provincial People's Congress today, Ma Liang, president of the provincial People's Higher court, emphasized: In accordance with the law, the provincial People's Higher Court must continue to severely crack down on criminals who seriously jeopardize social order and economic criminals who seriously sabotage the economy. It must work hard to develop socialist democracy, to put the socialist legal system on a sound basis, to uphold social order, and to protect and promote reform of the economic structure and the smooth progress of the socialist four modernizations.

Ma Liang said: From August 1983 to the end of 1985, people's courts at all levels throughout the province tried some 60,000 criminals cases in the primary courts and passed sentences on a large number of criminals in accordance with the law. On the whole, they cracked down on the serious criminals accurately and relentlessly and their work was sure.

Ma Liang said: In 1985, the province tried 2,960 economic criminal cases of offering and accepting bribes, of graft, and of swindle, and sentenced 3,692 economic criminals in accordance with the law. He stressed: It is necessary to continue to crack down on serious economic crime, to fully understand that serious economic crime will sabotage economic reform, opening up, and invigorating the economy and corrupt party style and the general mood of society, to lay stress on grasing the big and serious cases well, and to pay attention to investigation and study.

In the work report of the provincial People's Procuratorate given at the Fourth Session of the Sixth Provincial People's Congress today, Zhong Shuqin, chief procurator of the provincial People's Procuratorate, said: Over the past 1 year, all procuratorial organs throughout the province have seriously enforced the Constitution and the law. While they have not relaxed cracking down on serious crime, they have regarded cracking down on serious economic crime as a main task. They have stepped up investigating and dealing with big and serious cases. They have made relatively great progress in all aspects of procuratorial work. In the report, Zhong Shuqin introduced several aspects of work done by procuratorates at all levels over the past year:

1. They have conducted ivnestigations and studies, understood and analyzed the situation, and enhanced their understanding.

2. They have given prominence to the focal point, firmly grasped big and serious cases, and resolutely investigated and dealt with them.

3. The chief procurators of procuratorates at all levels have taken the lead in handling cases.

4. Procuratorates at all levels have correctly implemented the policies and enforced the law and strictly distinguished between right and wrong.

5. They have stictly dealt with the cases, served invigorating the economy and opening up, and worked hard to score achievements in dealing with the cases, in order to promote the comprehensive tidying up of social order.

Zhong Shuqin pointed out: This is the first year of the Seventh 5-Year Plan of our country. In view of this, the most basic thing is to penetratingly study, understand, and implement Comrade Deng Xiaoping's strategic guiding ideology of grasping construction in one hand and grasping the legal system in the other hand. While continuously, severely, and quickly cracking down on serious crime, we must regard severely cracking down on serious economic crime as the main task of the procuratorial organs.

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SHANGHAI CPPCC STANDING COMMITTEE'S REPORT

OW121051 Shanghai WEN HUI BAO in Chinese 1 May 86 p 2

[Excerpts] Ye Shuhua, vice chairman of the Municipal CPPCC Committee, made the work report of the committee's Standing Committee to the Fifth Session of the Sixth Municipal CPPCC Committee on 22 April. Following are excerpts of the report:

Since its third and fourth sessions, this committee--under the leadership of the Shanghai Municipal CPC Committee and with vigorous support from all departments--has carried out its work at various levels, through various approaches and in various forms in the reform of economic, scientific and technological and educational structures and in the areas of opening to the outside world, building socialist material and spiritual civilization and promoting the reunification of the motherland. Being more clear-minded about its guiding thought, the committee has carried out more meaningful activities and done its work in a more practical manner, thus reaping more remarkable results.

In the past year, this committee has organized its members to conduct 12 or so special investigations and hold more than 100 special topic symposiums concerning problems related to the reform and Shanghai's construction that warranted prompt solutions. These mainly included the reform of the industrial structure, the absorption and digestion of imported technologies, the raising of funds, the reform of the higher educational structure, the rational flow of scientists and technicians, the reform of commodity prices and the management of markets.

In the past year, this committee has organized and supported the efforts of members of the various democratic parties and mass organizations concerned and personages in all circles to promote ties with Xianggang, Aomen and overseas areas. Much has been done in helping the concerned departments to develop foreign trade, promote economic cooperation and obtain capital, technologies and talented people from abroad. Last year, the total amount of foreign trade transactions and imported technologies and equipment realized through the good offices of the Shanghai Municipal Committee of the China Association for Promoting Democracy and Municipal Committee of the All-China Federation of Industry and Commerce reached US $115 million and that of the Shanghai Municipal committee of the China Zhi Gong Dang over US $150 million in investments. The other democratic parties have also done a great deal in these areas.

In the past year, this committee has continued to pay attention to ensuring the implementation of relevant policies for its members. Except for a few individual cases, all 42 private houses belonging to the CPPCC National Committee members in Shanghai and Shanghai Municipal CPCC Committee members that were taken away from them during the cultural revolution have been returned. With regard to confiscated cultural relics and books, 200 of the 221 members have had these belongings returned to them or received compensation. The relics totalled over 21,400 pieces and books 82,000 volumes. This committee has also helped speed up the implementation of policy for all others in the municipality with regard to private houses, cultural relics and books. By the end of March this year, of the 500,000 square meters of private houses occupied by others during the cultural revolution, 469,300 square meters had been returned. The total floor space of private houses belonging to overseas Chinese already returned has reached 203,600 square meters, or 98.7 percent of the total taken away from them.

In the past year, this committee has accomplished a great deal both in promoting contacts with Taiwan compatriots. Xianggang and Aomen compatriots and overseas Chinese and in propagating the principles and policies of the party and state for peaceful reunification of the motherland and the concept of "one country, two systems." To commemorate the 40th anniversary of the retrocession of Taiwan, this committee has sponsored symposiums and report meetings and organized commemoration articles. We have also helped the concerned departments in receiving more than 20 groups of Taiwan compatriots, Xianggang and Aomen compatriots and overseas Chinese. This committee has made fresh progress in developing its ties with the various government departments. Last year the municipal government General Office issued a "Circular on Promoting Contacts with the Various Committees and Sections of the Municipal CPPCC Committee," which systematically guaranteed this committee's ties with the government departments, injected added meaning to political consultation and made it easier for the members of this committee to understand the situation and offer assistance accordingly and for the CPPCC to give play to its role as a reservoir of talented people.

In the new year, our central task will be to seriously study and actively implement the guidelines of the Fourth Sessions of the Sixth NPC and Sixth CPPCC National Committee and the Fifth Shanghai Municipal CPC Congress and contribute our part in realizing the Seventh 5-Year Plan, carrying out reforms, opening to the outside world, invigorating Shanghai's economy and promoting the reunification of the motherland.

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NEI MONGGOL PEOPLE'S CONGRESS HOLDS MEETING

SK090513 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 8 May 86

[Text] This morning, the fourth session of the Sixth Regional People's Congress held its third plenary meeting to listen to the work reports of the regional People's Congress Standing Committee, the regional Higher People's Court, and the regional People's Procuratorate. Zhang Shuguang, Bu He, and other regional leading comrades attended the meeting. Hao Xiushan, executive chairman of the session, presided over the meeting.

Batubagen, chairman of the regional People's Congress Standing Committee, first delivered a work report of the regional People's Congress Standing Committee. He said: Over the past year, in order to promote the regional economic structural reform and the national economic development, the regional People's Congress Standing Committee has strengthened the local legislation work, with stress on the economic and national legislations, and has intensified the supervision of the local state administrative organs over the judicial and procuratorial organs, thus scoring some achievements in developing the socialist democracy and perfecting the socialist legal system.

In his work report of the regional Higher People's Court, Yang Dalai, president of the regional Higher People's Court, pointed out: Since the convocation of the third session of the Sixth Regional People's Congress, the regional Higher People's Court has paid attention to continually and penetratingly launching the campaign of dealing strict blows to serious criminal offences and economic crimes, to vigorously strengthening the economic judicial work, to positively conducting the civil judicial work, to conscientiously handling the appeals and petitions from the masses, to positively participating in the comprehensive administration over public security and social order, and to further strengthening the building of the cadre ranks. The general situation in this regard has been good, and the achievements remarkable.

In his work report of the regional People's Procuratorate, Wang Linzhong, chief procurator of the regional People's Procuratorate, after reviewing and summing up the achievements scored over the past year in the procuratorial work, emphatically stressed: In 1986 procuratorial organs at all levels should concentrate efforts on investigating and handling major and appalling cases in a conscientious and accurate manner and on grasping the conclusion of cases. In developing the procuratorial work, we should uphold the principle of strict law enforcement and observance in punishing law breakers.

Kong Fei, Standing Committee member of the National CPPCC Committee, attended the meeting. Among the congress executive chairmen present at today's meeting were (Zhang Chenghai), (Gao Zaitang), He Xingge, (Ji Jinghua), (Shu Jifa), (He Zhilin), (Cai Puru), and (Yang Jingbiao). The members present at the fourth session of the Fifth Regional CPCC Committee also attended the meeting as observers.

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PROVINCIAL AFFAIRS

NEI MONGGOL PEOPLE'S CONGRESS SESSION CONCLUDES

SK130525 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 12 May 86

[Summary, From Poor Reception] The Fourth Session of the Sixth Nei Monggol Autonomous Regional People's Congress concluded in Hohhot this afternoon. The session called on the people of various nationalities throughout the region to strengthen unity continuously, carry out reform, strive to fulfill or overfulfill the various tasks as set forth in the Seventh 5-Year Plan, and usher in the 40th anniversary of the founding of the region with outstanding achievements.

"Serving as executive chairmen of this morning's session were executive members of the presidium, including Batubagen, Hao Xiushan, Zhou Beifeng, He Yao, Seyinbayaer, Chao Luomeng, Butegeqi, Alatanaoqier, and Hu Zhongda. Attending and seated on the rostrum were regional party, government, army, and CPPCC leaders, including Zhang Shuguang, Bu He, Gian Renyong, Tian Congming, Cia Ying, and Shi Shengrong."

The session held that the guiding ideology, construction priorities, and basic tasks as set forth in the report on the Seventh 5-Year Plan are compatible with the regional economic and social development, and that the major targets can be fulfilled or overfulfilled through hard work. It also held that new difficulties will continue to arise, and therefore we should remain clear-headed, sum up experiences and lessons, and strive to open up a new situation in various fields of our work.

Batubagen spoke at the conclusion of the session. He expressed heartfelt gratitude to the comrades who resigned, and encouraged them to continue to support the work of the people's congress in the future. He called for efforts to successfully fulfill the Seventh 5-Year Plan and to develop Nei Monggol under the correct leadership of the regional CPC Committee with Comrade Zhang Shuguang as the secretary.

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SICHUAN PROVINCIAL PEOPLE'S CONGRESS SESSION ENDS

HK121438 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 8 May 86

[Excerpts] The 11-day fourth session of the Sixth Provincial People's Congress concluded victoriously in (Jinjiang) Hall this afternoon. During the session, the delegates earnestly listened to and examined a provincial government work report and the province's Seventh 5-Year Plan for the national economy and social development. They held serious discussions, freely aired their views, and put forth many valuable and pertinent suggestions on building material and spiritual civilizations in the province. This fully shows their concern for various reforms in the province, for agriculture, for the cultural and educational cause, and for the building of socialist spiritual civilization.

At 1500 on 8 May, Meng Dongbo, executive chairman of the session and permanent chairman of the presidium, presided over the session. A total of 1,266 delegates attended today's session, forming a quorum. Permanent chairmen of the presidium acted as executive chairmen of the session. They were He Haoju, Qin Chuanhou, Pei Chuanhou, Peng Dixian, Ji Chunguang, Liu Yunbo, Liu Haiquan, Liu Xilin, Zhaxi Cering, Wang Ao, Deng Zili, and Wang Yanli. Seated at the rostrum were members of the presidium. Also seated at the rostrum were responsible comrades of the provincial CPC Committee, the provincial Advisory Committee, the Chengdu Military Region, the provincial Discipline Inspection Committee, the provincial CPPCC Committee, and all democratic parties, including Yang Rudai, Fu Quanyou, Wan Haifeng, Nie Ronggui, Feng Yuanwei, Xu Mengxia, Yang Wanxuan, Bai Shangwu, Song Dafan, (Xie Shijie), (Xu Shiqun), (Gao Shuchun), (Wang Chenbo), (Liu Xing), (Liu Shaoyan), (Hu Maying), (Song Wenbin), (Luo Ming), (Hu Yongkang), (Han Zhenfu), (Cao Qinze), Pan Dakui, Xu Chonglin, Ren Jinglong, Tian Yiping, Li Peigan, Jamyang Phamo, Wang Daidi, Li Weijia, Zhang Guangqin, Yangling Doje, and (Wang Xuejun). Also seated at the rostrum were Ren Baige and Tianbo, members of the Central Advisory Commission; provincial Governor Jiang Minkuan; Vice Governors Gu Jinchi, Luo Tongda, Kang Zhenhuang, and Pu Haiqing; provincial government advisers Qiao Zhimin, Guan Xuesi, and (Ding Changhe); Ren Lingyun, president of the provincial Higher People's Court; Gao Zhengzhong, chief procurator of the provincial People's Procuratorate; and former responsible persons of the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial government, and the provincial CPCC Committee.

The session adopted the provincial government work report; a resolution on the province's Seventh 5-Year Plan for the national economy and social development; a resolution on the province's national economy and social development in 1986; a final account of the province for 1985 and a budget of the province for 1986; provincial regulations on implementation of compulsory education; a resolution on the work report by the provincial People's Congress Standing Committee; a resolution on the work report by the provincial Higher People's Court; and a resolution on the work report by the provincial People's Procuratorate.

According to the election methods of the session, a provincial vice governor will be elected at the session. A candidate was named by the presidium and submitted to the delegates for examination and discussion. The presidium then held a discussion and decided to name Comrade (Xie Shijie) as the candidate for provincial vice governor. A secret ballot was held at the session. Comrade (Xie Shijie) was elected provincial vice governor.

All members attending the fourth session of the Fifth Provincial CPCC Committee attended the session as observers.

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ECONOMIC PLANNING

BRIEFS

EXPORT COMMODITY CENTERS PLANNED--China plans to set up new export commodity production centers in coastal areas and areas with good transport facilities in the next five years, the overseas edition of PEOPLE'S DAILY reports today. According to the paper, these along with better coordinated separate enterprises will enable China to better compete on the international market. Over the past decade, Chinas has opened 125 export commodity production centers. In addition, more than 1,000 enterprises in the country manufacture some export goods. The paper quoted a high economic official as saying that the funds for the new centers would come from joint investment ventures and production projects and from compensation trade arrangements. In return, the foreign investors will receive finished goods as payment for imported equipment and materials. Priority will be given to centers which require relatively little investment and produce high-grade commodities to generate export income, the paper adds. [Text] [Beijing XINHUA in English 0622 GMT 6 May 86 OW] /12624

MAYOR DISCUSSES IMPROVING INFRASTRUCTURE--Gas should reach almost all homes in the city center of Beijing by 1990, compared with 71 percent now. Increased gas supply is part of a 2.92 billion yuan program to improve the city's infrastructure over the next five years, Mayor Chen Xitong told the Fifth Session of the Eighth Municipal People's Congress which opened here today. The money will be twice the figure for the 1981-1985 period, itself almost double that for the five years from 1976 to 1980, Chen said in his report on Beijing's Seventh Five-Year plan (1986-1990). Inadequate communications and other infrastructure facilities has weakened the city's ability to function as an efficient capital, hence the need to continue giving priority to such facilities, he explained. Improvements will also be made to water and electricity supply, drainage, transport facilities and posts and telecommunications. The program, now subjected for examination by the 981 deputies, calls for an additional supply of 500 million liters of water a day by 1990, and the number of telephones should increase to 500,000, from 214,000 at present. [Text] [Beijing XINHUA in English 1338 GMT 13 May 86 OW] /12624

CSO: 4020/319

SPEED OF ECONOMIC DEVELOPMENT, REFORM STUDIED

Taiyuan JISHU JINGJI YU GUANLI YANJIU [THE STUDY OF TECHNO-ECONOMICS AND MANAGEMENT] in Chinese No 5, 1985 pp 2-7

[Article by Zhou Shulian [0719 3219 5571]: "Speed of Industrial Development and Economic Structural Reform"]

[Text] I

China's industry has developed at a superhigh speed since the end of last year. People in the academic circles hold different views on the relationship between this superhigh speed and the economic structural reform. Some comrades think that the high-speed industrial development is mainly attributed to the new economic system. The said: "The economic reform since 1978 has brought changes to the national economic system, while the continual expansion of the market system's role has enabled China to deploy its essential productive forces in a more and more rational way." "The system environment which motivated the one-sided quest for output value is gradually vanishing in the course of the reform, and the speed of China's economic growth in 1984 was by no means the outcome of a one-sided quest for output value." In their opinion, the present high speed is a special feature of the new economic system and "we should welcome instead of being afraid of the rapid economic growth." Some comrades even believe that the present speed must be maintained before we can proceed any further with the economic structural reform; otherwise, the reform will meet with difficulties. I feel that these views deserve to be further discussed.

China's industrial development which has been gathering momentum in the past several years is certainly inseparable from the economic structural reform. Because of the reform, the enterprises have acquired more decision-making power. They are now more active and more enthusiastic. Their business operation and management have been improved, and their technical transformation has been accelerated. All these are the causes of a high-speed industrial development. Improvement of the external conditions of industrial production, such as the development of agriculture, energy resources, communications and transportation facilities, foreign trade, and so forth are also inseparable from the reform. So, too, is the rapid development of collective industry. Therefore, it would be totally wrong to ignore or underestimate the effects of the economic structural reform on the speed of industrial growth. However, can we say that the present rapid growth should be mainly attributed to the new economic system? Can we say that the traditional economic system which led the enterprises to their one-sided quest for output value "no longer carries any weight"? We don't think so because, first of all, this does not conform to reality.

Let us look at this matter from the standpoint of decision-making power for the enterprises. Although some enterprises had acquired more decision-making power and become active after the reform, there are still many others which do not have the decision-making power as they should, and which are still inactive. This is particularly true of the large and medium-size enterprises, because even now, most of them do not have the necessary decision-making power and vitality. The number of large and medium-size enterprises in China is less than 2 percent of the total number, but their fixed assets and their taxes and profits account for more than 60 percent of the national totals. According to an estimate, only 15 percent of the present large and medium-size enterprises are fairly active; 65 percent of them are now in the process of changing and have not given any outstanding performance because of the lack of a solid foundation; and 20 percent of them are in some predicament and still remain basically inactive. (SHIJIE JINGJI DAOBAO [WORLD ECONOMY REPORTER] 22 July 1985.) According to a survey in Liaoning, only a handful of large enterprises are active and most of them are not, mainly because the relationship between the state and the enterprises has not been clarified, the functions of the government and the enterprises are not entirely separated, the necessary power has not been delegated to the enterprises, and some old conventions of certain departments are still tying the enterprises' hands. The factory managers of some large plants in the machine tool industry sector have complained that some decision-making power which should be delegated to the lower levels accoring to the rulings of the Party Central Committee and the State Council has been intercepted by some local administrative departments and cannot reach the enterprises. Now we must also pay attention to the practise of apportioning expenses among the enterprises. According to investigations conducted by some NPC deputies on the Jinzhou Petro-Chemical Industry Company, the Shenyang Municipal Mechanical and Electrical Bureau, the Dandong Chemical Fiber Corporation, and some other units, there are not less than 20 different categories of expenses to be apportioned among the enterprises by the provincial and municipal authorities and even by the neighborhood offices. Many enterprises still cannot have their decision-making power. Then how can we say that the traditional system "no longer carries any weight"?

Second, from the standpoint of the market's role: Although the use of the market's regulative role has produced fairly good effects in promoting industrial production and coordinating production with market as well as improving the economic results during the past several years, the role of the market mechanism cannot be over-estimated. First, the market for the means of production is still in the incipient stage. Strictly speaking, the market for many important means of production does not actually exist. One of the main difficulties experienced by the enterprises in production and business operation is the lack of reliable sources for the supply of raw materials and energy, and there is usually a 20 percent shortage of raw materials for the tasks assigned according to state plans. The enterprises always have difficulty in obtaining the means of production on the market through the channels of commodity exchange. Instead, they have to rely on personal favors, back-door dealings, bartering, and other expedients. Some enterprises prefer to have a "boss" rather than their decision-making power mainly because of the lack of a market for the means of production. If they have no "boss," it will be difficult for them to obtain the necessary raw materials and energy resources. Second, the pricing is irrational. China's pricing system is very irrational and the price reform is only beginning. It is true that the price reforms in the past several years have promoted production, and until the pricing system and the price structure have been basically reformed, it will be difficult for prices to play their full role in the rational deployment of the essential productive forces. On the other hand, it may even produce many negative effects. The blind construction and the irrational duplication of projects which now exist have led to an excessive scale of capital construction. We cannot say that the irrational pricing system has nothing to do with them. On the whole, while noting the success in the use of the regulative role of the market, we should also be aware of the existing problems. More important still, we cannot confuse the conditions and the effects of the market mechanism as they are now with what they will be under the future economic system of corporations.

Third, from the standpoint of the enterprises' responsibility for profits and losses: The profits and losses of an enterprise are now more closely related to the benefits of its workers. Among the state-owned enterprises, the practice of "eating from the same pot" still exists in the use of funds under such a responsibility system. Some foreign scholars have called "eating from the same pot" in the use of funds a "soft" budgetary restriction. Kernei [phonetic], a Hungarian economist, held that "soft budgetary restrictions" are brought about by the following conditions: (1) The enterprises are not at the receiving end of pricing; they only set the prices. (2) The "soft" taxation system. For example, the enterprises can influence the formulation of the taxation system and enjoy the preferential treatment of tax exemption or tax deferment. The tax laws are not strictly enforced. (3) The state fund allocations including the investment allocations which the recipients are under no obligation to repay; the long and continual subsidies for prolonged losses or for the encouragement of certain activities over fairly long periods; the temporary subsidies for temporary losses or for the encouragement of certain activities. (4) The system of soft credit, under which loans are granted even to those who are unable to redeem them, and to those who can postpone their redemption and other payments. (5) The external investment under soft conditions which still exist in China. For example, some enterprises have raised their prices, legally or illegally, and passed their burden on to the consumers in order to obtain more profits. China's taxation system is also a soft one, because there can be bargaining between the state and the enterprises, in addition to the common occurrences of tax evasion and other fraudulent practices. For a long time, the system of fund allocation with no repayment required has been used in capital construction. These allocations have been replaced by loans. However, these are only soft loans, because they carry low-interest rates and are repaid out of their before-tax profits (this means that the state has to pay the interest), and sometimes, even the capital cannot be recovered. As sonme comrades have said, the enterprises are now responsible for their profits, but not their losses. Some enterprises have even resorted to fraudulent means for private gains at the expense of the state. The tactics they use are many. For example, they can report a lower production cost to reduce their losses or even to turn their losses into profits; they can keep their losses, incurred through cut prices, in a permanent "pending account" instead of reporting them; they can fake sales to increase their "profits"; and they can do a lot by juggling the expenses and the nonbusiness receipts and payments. The enterprises' responsibility for their own profits and losses is one of the main features of the new system. In view of the serious practice of "eating from the same pot" in the use of funds, however, we cannot say that the traditional system "no longer carries any weight."

Fourth, from the standpoint of the enterprises' code of conduct: Some comrades believe that after the reform, the enterprises are now striving only for the output value which can be realized and the maximum profit instead of the one-sided quest for output value. This view should also be analyzed. Because of their newly acquired decision-making power and the role of the market mechanism, the enterprises now have a stronger motive for profits and the need to consider the market demand in planning production. In other words, they have to consider the question of turning their products into commodities. These good effects cannot be ignored. However, the enterprises' code of conduct under the traditional system has not been basically changed. For example, because the functions of the government and the enterprises are still unseparated, the latter's productive activities are still dictated by the administrative organs above. If the higher leadership likes an increased output value, the enterprises would still one-sidedly strive for output value. Furthermore, output value still serves as the main criterion in assessing an enterprise's performance. It is true that economic results are now emphasized. However, the assessment of economic results is fairly difficult while that of output value is simple and clearcut. For this reason, the enterprises are apt to stress the increase in output value and ignore the improvement of economic results. Particularly in the present seller's market in which supply and demand are seriously imbalanced, the increase in an enterprise's output value means an increase in its profits, and an enterprise's output value means an increase in its profits. It would be much easier to increase the output value than to improve the quality of products or to lower the production cost. That is why the enterprises usually rely on their output value as a means of increasing profits. Kernei has pointed out that in a socialist economic system, budgetary restrictions are more significant and effective than the profit incentive. He said: "The fact that the owner, the administrator, and the workers are interested in the increase in profits is not enough to determine their code of conduct. When the profit incentive is combined with hard budgetary restrictions, their efforts would be guided in the direction of actual deeds. However, when profit incentive is combined with soft budgetary restrictions, it will at least give the same opportunity for the enterprises to manipulate finances, to raise prices, and to exert their efforts to obtain 'gifts' from the state." He added: "Soft budgetary restrictions are not effective restrictions, because the financial situation of an enterprise cannot govern its conduct, and money cannot play any dynamic role. 'No matter how high the price may be, the important thing is to obtain the raw materials and manpower, and the required money can sonmehow be raised.' 'As long as we can find a contracting unit for the project, we need not stop our investment for want of funds, and any loss will be take care of by the state budget.'" (KEJI DAOBAO No 2, 1985 p 16) Under such circumstances, it would still be inevitable for the enterprises to invest blindly and to strive for higher output value. Although the State Council issued the call long ago for the speed of industrial growth to be controlled at an appropriate rate, some of the measures are still difficult for implementation. Blind quests for growth speed and the competitions in such speed still exist. These are the effects and manifestations of the traditional economic system.

If the present superhigh speed of industrial development is viewed as mainly an inconsistency of the new economic system with realities, then it would be even more wrong to call it a special feature of the new economic system. It does not mean that industry cannot develop rapidly under the new economic system, but rather that, under the new economic system, there should be no one-sided quest for high speed and no high speed without better economic results. We must note that in the past several years, the speed of industrial growth has continued to increase without corresponding improvement in the economic results. Since the end of last year, the appearance of a superhigh speed has been even accompanied by a deterioration of economic results and may possibly lead to some serious disproportion. The kind of speed we want for our industrial growth should be helpful to the sustained, stable, and harmonious development of the national economy. We want not only an appropriately high speed, but also a rational economic structure, and constantly improving economic results. The new economic system should help bring about this kind of high speed, because, by that time, the enterprises will operate independently and assume sole responsibility for their profits and losses, while the soft budgetary restrictions will be replaced by hard budget restrictions. The survival and development of enterprises will be decided by their profits and accumulation, and only through improved management and tehcnical progress can the enterprises increase their profits, their workers' wages, and their accumulation. By that time, the investment hunger and the lack of control over the consumption fund can be eliminated easily and it will be possible to create a buyer's market where supply will slightly exceed the demand. Instead of striving for high speed blindly, the enterprises will have in mind the kind of speed that is consistent with market demand and with the improvement of economic results. Only this kind of high speed can be a special feature of the industrial development under the new economic system.

Some comrades said that a high speed of economic growth would create a favorable environment for further structural reforms. Our opinion is that whether or not an environment is favorable depends on the kind of high speed. If the speed is appropriate and accompanied by a rational economic structure with fairly good economic results, then it will be really helpful to the economic structural reform. If the speed is excessive and accompanied by a lop-sided economic structure and deteriorating economic results, then such a high speed can never help, but rather obstruct, the reform. The reason is that when the economic structure is seriously irrational, the proportionate relationship is seriously disturbed, and the economic results are deteriorating drastically, the required conditions will be lacking for a comprehensive and fundamental economic reform, and in particular for those reforms such as price and wage reforms which affect very many people. For these reforms, the state must have abundant financial and material reserves and a fairly easy economic environment. Striving for excessive speed in industrial development will exert undue strain on some of the major relationships in the national economy. It will bring difficulties to the reform and obstruct certain reform measures. Many comrades have discussed this logic. The speed of industrial growth, as we can see, has been, on the whole, helpful to the reform in the past several years. However, the superhigh speed since the end of last year has created certain difficulties for the price and wage reforms. It is therefore necessary to control the speed at a suitable level in order to promote the economic structural reform.

II

To provide a fairly easy economic environment for the smooth progress of the economic structural reform, we must adopt the appropriate policies and measures to control the speed of industrial development at a normal level. As for the methods to do so, we must control, first, the scale of capital construction; second, the increase in the consumption funds; and third, the scope of credit and the issuance of currency. In addition, we must control the use of foreign exhange, make an effort to increase our exports, control our imports and use our foreign exchange to better advantage.

It should be pointed out that while taking measures to control the investment in fixed assets, the consumption fund, and the scope of credit, we must do our work well in solving the problems in a fair and reasonable way. At present, we should check the excessive speed in industrial development as our general goal. However, because many departments, areas, and enterprises are operating under different conditions, we must work out the restrictive or supportive policies according to the actual conditions and try as best as we can to avoid "applying the same arbitrary formula," in order to reduce unnecessary repercussions and losses. Along with the progress of the structural reform and the development of the commodity economy, the economic levers will play an increasingly important role. Furthermore, as the standard of economic management among the cadres at all levels continues to rise, the experience in the use of economic levers will also be enriched. Under such conditions, it will be entirely possible to lower the speed of industrial development to a normal level.

Of course, our task is not only to lower the speed of industrial development to a suitable level, but also to set up some type of social economic mechanism to guarantee the sustained and proportionate development of industry at a fairly high speed. Thus it will be necessary for the enterprises and the entire society to be concerned not only with a higher speed of industrial development, but also with better economic results in industry. According to past experiences, the improvement of economic results is more important than the increase in the speed of industrial development, because the sustained and harmonious development of industry can be realized only provided the economic results are fairly good and continue to improve. The most important task for the social economic mechanism that meets these requirements is to help in the progress of the economic structural reform. Therefore, particular attention should be paid to the following aspects:

First, the independent operation and responsibility for profits and losses of the enterprises must be treated as an important aspect of the economic structural reform. In the "Decision of the Party Central Committee Concerning the Economic Structural Reform," it is stipulated that "the enterprises must be helped to become relatively independent economic entities and socialist commodity producers and dealers who will be able to operate independently and be responsible for their own profits and losses in a true sense." Here lies the essence of the economic structural reform, because all reform measures and activities should be helpful in solving this problem. In other words, all reform measures and activities should help the enterprises to operate independently and to be responsible for their profits and losses. Great stress is being laid on the need to delegate more authorities to the enterprises and to let them make more profits in order to increase their vitality. This is necessary. However, we must also understand that issuing such a call alone is not enough, because the enterprises must also be really responsible for their own profits and losses. There are relations as well as distinctions between independent operation and responsibility for profits and losses. Enterprises certainly cannot be without independence, but they must also be responsible for both profits and losses and not for profits alone. An enterprise must be truly able to operate independently and to assume responsibility for its own profits and losses before it can truly become commodity producers and dealers. Such conditions must prevail before the enterprises can be strongly motivated to improve their economic results and to withstand the tremendous pressure in this respect, and before the state can use such economic levers as prices and credit to encourage continued efforts on the part of the enterprises to improve their economic results. Certainly, the enterprises must go through some process before it can operate independently and be responsible for their own profits and losses, but this process must be continued in the course of the reform. The reform must proceed with this as its central task, and care must be taken to prevent it from deviating from its proper path and, more important still, from going in a counter direction. There are now signs of obstruction to the enterprises being responsible for their profits and not their losses. Therefore, we must, on the one hand, keep the functions of the government and the enterprises separated, further simplify the administration, and delegate more authority to the lower levels. On the other hand, we must clearly define the responsibility of the enterprises, strictly enforce financial and economic laws, and tighten the budgetary restrictions on the enterprises. Only thus can we create an economic mechanism which can correctly handle the relationship between speed and economic result within the enterprises.

Second, the gradual formation of a buyer's market in which the supply will be slightly larger than the demand so as to encourage competition among the enterprises: Such competition is a strong motive force for the enterprises to improve their economic results. Only through competition can we restrain the enterprises from blindly striving for speed of increase in their output value, and induce them to shift the focus of their operation and management on to the path of improvement of economic results by various means. One important prerequisite for the enterprises to start their competition is their independent operation and their responsibility for profits and losses, and another prerequisite is the formation of a buyer's market. Some comrades do not believe in the possibility of a buyer's market. I do not share this view. Theoretically, it is possible for a socialist country to practise planned economy and to form a buyer's market in which the supply is slightly larger than the demand, through scientific planning and economic management. Along with the development of the economic structural reform and the improvement and strengthening of planning, and as long as we can properly control the scale of fixed asset investment and the consumption funds, we can certainly form a buyer's market in which the supply of most products will be slightly larger than the demand. From this, we can see that the policies and measures for conterolling the scale of fixed asset investment and the consumption funds are necessary not only for an appropriate speed of industrial development, but also for the formation of such a buyer's market.

Third, the establishment and strengthening of a system of scientific macroeconomic regulation and control: In order that the enterprises will truly place the improvement of economic results in the first place and properly handle the relationship between speed and result, the state has to strengthen and perfect its macroeconomic control, regulation, and management. Therefore, it is necessary to establish and continue to strengthen a system of macroeconomic control and regulation. Like the enterprises going through some process in independent operation and responsibility for profits and losses, the establishment and strengthening of a system of macroeconomic control and regulation also must go through some process, and the two processes should be closely coordinated in steps and in contents. More important still, such a system must be suitable for independent operation and responsibility for profits and losses of the enterprises. In other words, this system should help in the realization of the overall and long-range social interests and be suitable for the enterprises' code of conduct. For example, whenever the budgetary restrictions for an enterprise become rather "soft," the macroeconomic control and regulation should not over-rely on the use of such economic levers as price and credit, but rather resort to mandatory plans and administrative measures. Whenever the budgetary restrictions for an enterprises are rather "hard," then, under this system, we should attach even greater importance to these economic levers and reduce the mandatory plans and other unnecessary administrative interventions. Experiences have proved that enterprises may have different codes of conducts because of their different economic environments and other conditions. Unless the special characteristics of the enterprise's codes of conduct in different periods are taken into consideration, it will be difficult for macroeconomic control and regulation to obtain the expected results. Of course, it is possible to change the enterprises' economic environment and other conditions through macroeconomic control and regulation, and then to change certain codes of conduct among them. There is also the problem of mutual coordination of the various measures of macroeconomic control and regulation, and we should attach great importance to its solution in the course of the economic structural reform.

Fourth, a serious and in-depth study of some questions: To form the necessary social economic mechanism which will bring about a sustained and harmonious industrial development at a fairly high speed, there are many questions requiring our investigations and study. For example, what essential changes have occurred in the relationship between China's state-owned enterprises and the state during the reform in the past several years? The answer to this question concerning an assessment of the present conditions of China's socialist enterprises cannot be very specific. Some comrades said that the present superhigh speed of industrial development is mainly attributed to the new system; others attributed it to the old system. This difference of opinion should be settled by a scientific verdict on the basis of serious investigations and study. Again, what are the factors governing the state-owned enterprises' code of conduct? What were the main codes of conduct in the past, what are the main codes of conduct at present, what codes have undergone changes and what have not and for what reason? The study of the enterprises' code of conduct is a very important task. We must clarify these questions before we can work out scientific policies for macroeconomic control and regulation. Again, what are the characteristics of the state-owned enterprises' responsibility for their profits and losses, and what are the differences between these characteristics and those of collective enterprises, individual enterprises, and the enterprises of capitalist countries? We must also study such questions as: in what forms do state-owned enterprises assume the responsibility for profits and losses, what models of goals should be adopted, through what steps and stages, and what are the differences between the scopes and the degrees of such a responsibility. Again, there are such questions as what form of operations can be adopted by state-owned enterprises, what are the characteristics and strong points of different forms of business operations, and forwhat conditions are the characteristics suitable? Can socialist state-owned enterprises adopt the corporation system under which the workers of their own and other units can become share-holders? Can the ownership rights of state-owned enterprises be divided? For example, with the recognition of the state's ownership as a prerequisite, can the ownership rights of the state-owned enterprises themselves be affirmed? Can we say that while the state has the absolute ownership rights, the enterprises also have the relative ownership rights? In this connection, we have also to study the question of the ownership structure in industry, including the questions of which forms of ownership to be permitted, the trend of their development, and the principles, policies and measures to be adopted. Again, what changes have occurred during the reform in the state-owned enterprises' relations of interests, including the changes in the relations of interests among the state, the collective and the individual workers, the enterprises' long-range benefits and the causes, effects, and trend of the present changes. We should also attach great importance to the study of the way in which the state-owned enterprises should handle the various relations of interests, the measure to be adopted, and the steps to be taken in correctly handling these relations. Again, what changes have been brought about by the use of economic levers among the enterprises? How to make full use of various economic levers to regulate and control the conduct of enterprises? Because of the changes in the enterprises' conditions of operation and in their codes of conduct, the role of economic levers has also undergone changes. Then what changes have occurred, and which changes are good and which are no good for the healthy development of industry? And what policies should be adopted? Again, as the steps to be taken in the reform, how should the relationships between the promotion of the enterprises' independent operation and responsibility for their profits and losses on the one hand, and the reforms of the pricing system, credit system, and financial system on the other be handled? The enterprises' independent operation and their responsibility for profits and losses depend on the reforms of the pricing, credit, and financial systems. There are differences between them, although all reforms should be helpful in promoting the enterprises' independent operation and their responsibility for profits and losses. What have we learned from our experiences concerning these questions, what are the present problems, and how can the future reforms persist in promoting the enterprises' independent operation and responsibility for profits and losses as their central task? All these are extremely important questions.

There are still many other questions to be studied. This article has presented some views mainly in the form of questions for the purpose of "casting a brick to attract jade." The readers are invited to cortrect the mistakes.

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ECONOMIC MANAGEMENT

EASTERN CHINA SOLVES REFORM PROBLEMS WITH REFORM

Fuzhou FUJIAN RIBAO in Chinese 24 Dec 85 p 1

[Article by staff reporters Lu Xiuqin [7120 0208 0530] and Huang Chuanfang [7806 0278 5364]: "Problems in the Reform of Economic Structure Can Be Solved Only by Pushing the Reform"]

[Text] "Now is the critical moment for continuing to carry out the reform. It is by no means the 'low tide' or 'cooling stage' of the reform. Problems cropping up in the reform can be solved only by pushing on with the reform." This was the unanimous view of the participants at the Second Exchange Meeting on the Reform of Urban Economic Structure in eastern China.

This meeting was held from 16 to 21 December 1985 in Fuzhou. At the meeting, leading comrades in charge of the reform of economic structure in the six provinces and one municipality of eastern China and in Guangdong and Hunan provinces exchanged information on the progress made and experience gained in the current reform of urban economic structure as well as tentative plans for carrying out the reform in 1986. They emphatically discussed the question of how to continue to push on with the current reform in accordance with the guidelines of the "Decision" and the "Proposal" of the CPC Central Committee for the "Seventh 5-year Plan." Tong Dalin, general secretary of the Chinese Society for the Reform of Economic Structure and a noted economist, was invited to deliver an important speech at the meeting.

According to the information exchanged at the meeting, in the past few years, especially since the "Decision" of the CPC Central Committee was promulgated, all provinces and municipalities have made prominent progress and breakthroughs and scored outstanding achievements in the reform of economic structure which is centered on urban reform. However, many problems still exist in the current reform.

In order to come to grips with the current reform, comrades attending the meeting unanimously held it necessary to solve the following problems: 1) It is necessary to give real priority to the reform and support and safeguard the reform spirit of daring to explore and blaze new trails. 2) To deepen the current reform, it is urgently needed to bring under control the excessively high economic growth rate so as to create a good economic and social environment for the reform. However, since the formation of a good economic environment also depends on the progress of the reform, especially the reform of macrostructure, macroeconomic environment should not be used as a general excuse for missing an excellent opportunity for continuing to carry out the reform. 3) From now on in the decontrol and invigorating of microstructure, more attention should be paid to the compatibility of macro regulation and control and the efforts to increase the flexibility and corresponding ability of enterprises. However, this is no reason to increase the direct control of the traditional system and weaken the momentum of the microeconomy continuing to develop in the direction of a new economic system. 4) New reform measures to be taken in the future must dovetail with the policy measures already adopted. Existing reform measures should be consolidated and improved to continue to push forward the whole reform. But attention should be paid to prevent going back and forth, much less going back.

12302
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ECONOMIC MANAGEMENT

YUNNAN ADOPTS MEASURES TO STRENGTHEN MACRO-CONTROL

Kunming YUNNAN RIBAO in Chinese 3 Jan 86 p 1

[Article by Chang Hanlin [1603 3352 2651]: "The Provincial Government Formulated Procedures and Measures To Strengthen Macro-control--Achieve Major Changes in the Work of National Economic Planning"]

[Text] While studying and arranging plans for national economic and social development in 1986, the Yunnan Provincial Government recently paid attention to studying procedures and measures for further strengthening macro-control and worked to have a good start in the first year of the "Seventh 5-Year Plan" to ensure sustained, steady, and balanced progress for the national economy.

Yunnan's economic stuation has never been better since the founding of the PRC, but it also has problems. For instance, the scale of capital construction is out of control, grain output has declined, the contradiction between market supply and demand is acute, and the shortage of raw and semi-finished materials is serious. In order to ensure the smooth progress of the reform, consolidate and develop the excellent situation, and strengthen macroeconomic control while further relaxing and invigorating the microeconomy, the provincial people's government recently formulated procedures and measures to strengthen macro-control in 1986.

To strengthen its macro-control of the economic situation, Yunnan must first of all adhere to the reform, achieve major changes in planning work, and focus the main energies of planning departments at all levels on studying and formulating national economic and social development strategies and major principles and policies. In accordance with the guidelines of the proposal of the CPC Central Committee for the "Seventh 5-Year Plan" and in light of Yunnan's reality, continuous efforts should be made to bring about four changes: 1) Change to further decontrol and flexibility, continue to sum up experiences and lessons in the reform, correctly handle the dialectical relation between "decontrol" and "control" and make a success of macro-control and micro-flexibility; 2) change from focusing on figures as in the past to studying strategic issues and concentrate main energies on studying development strategies, principles, and policies instead of limiting planning work to setting targets, listing projects, distributing investment, and allocating goods and materials; 3) change from considering only the balance of state budgetary funds and state-controlled goods and materials to considering the overall balance of society as a whole, exercise comprehensive control of budgetary and extrabudgetary projects, and establish a better link between economic and social developments and between growth rate and the improvement of efficiency; and 4) change from the previous practice of excessive dependence on administrative means for economic control to voluntary use of the law of value and emphasizing the use of regulatory means.

To better the construction of basic industries and infrastructure such as energy, communications, education, scientific research, and raw and semi-finished materials under the precondition that the scale of fixed-asset investment is under strict control, Yunnan must concentrate energies on key projects, control non-productive construction, carry out projects in the order of urgency and importance, and avoid doing everything all at the same time. Through planning, Yunnan should also concentrate necessary material and financial resources to guarantee agriculture, market, education, and urban infrastructure and support the economic development of impoverished mountainous areas and other important areas. On the basis of ensuring steady increase of grain output, Yunnan should further readjust the industrial lineup and give full play to its advantages in tobacco, sugar, tea, and forest and animal husbandry.

To keep the scale of fixed-asset investment under strict control, first of all Yunnan should take a further step to solve ideological problems. Cadres and the masses should unify their understanding according to the policy decision of the central government and rid themselves of such erroneous understanding as "everybody advancing side by side," "suppressing others, but never ourselves" and "depending mainly on higher-ups for control." All levels must make concerted efforts to bring the investment scale under control. Second, all areas and departments should make arrangements according to the 1986 plan (draft) which was recently formulated by Yunnan Province. No one is allowed to exceed the scale prescribed by the plan. Those who do will be held responsible for doing so. In addition, banking departments are required to exercise strict credit control and enforce strict rules and regulations; all enterprises and establishments should handle things in strict accordance with pertinent rules and regulations on capital construction, renovation, and transformation and deposit self-pooled funds into special accounts with the construction bank 6 months before they are to be used for the specific purpose. Supplies departments should strengthen the control of "three products." The state will practice unified purchase and special sales of steel products; all new projects scheduled for 1986, including collective projects in urban and rural areas, must be approved in strict accordance with the division of administrative authorities before they can be started. No project should be carried out without approval. At the same time, it is necessary to sort out and screen projects left over from the previous year which used self-pooled funds and were "exluded from four plans." Those which should be continued should be given funds and guaranteed goods and materials so that they can be completed and put into production as soon as possible. Those which should not be continued should be stopped and suspended resolutely.

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INDUSTRY

LIAOWANG REPORTS ON 1ST QUARTER INDUSTRIAL PRODUCTION

HK281143 Beijing LIAOWANG in Chinese No 15, 14 Apr 86 p 6

[Article by Xu Yaozhong [1776 5069 0022]: "How To View the 1st Quarter Production Situation"]

[Text] The latest State Statistical Bureau statistics show that the country's industrial production output value for the 1st quarter of this year rose 4.4 percent. Many people in economic circles consider this a good beginning.

The increase in our country's industrial output value since 1986 began cannot be considered too substantial. Compared with the corresponding period of last year, the increase in January was 5.6 percent; in February, 0.9 percent; and in March, 6 percent. Since February, people have developed all kinds of thinking and had all kinds of talk. Some said aloud: "That is too bad. There has been a 'slide' in industrial production." Some were indifferent, as they thought it was only a transient phenomenon and that there would be "a turnaround as quickly as people respond to a beauty's charming smiles," with a high rate of growth being no problem. Others considered that some new factors had really appeared in this year's industrial production. If we could remain sober-minded and work in a down-to-earth manner, there would be the promising prospect of a proper increase in industrial production in 1986.

How should we view the situation concerning national industrial production in the 1st quarter of this year? At the national economic work conference and the national work conference on economic reform held not long ago and during the period of the Fourth Session of the Sixth National People's Congress; this reporter solicited the opinions of economic circles in various departments and areas. Most of the people concerned think that the industrial production situation this year remains good. There are three reasons why?

First, in looking at the rate of growth, we should not forget the existing base. The pace of growth in the 1st quarter as represented by output value on the surface seemed low. But we should not forget that this was in relation to the extra high rate in the 1st quarter of last year. The rate in the 1st quarter of last year was 23 percent higher than that in the corresponding period of the preceding year. Given another increase of 4.4 percent on that basis, the pace cannot be considered low. What is especially gratifying is that the energy production situation in the 1st quarter, especially electric power, was quite good. There was a fairly big increase in light and textile products that had been in short supply. The growth of rolled steel, nonferrous metals, cement, and other important raw materials was quite spectacular.

Second, in judging the pace of growth, we must make an analysis to see whether it is rational. Of durables, only radio and television sets showed a drop in production. Radios were always in plentiful supply in the past few years. A drop in output was justified. The drop in the output of television sets was chiefly accounted for by black-and-white television. This product was marked with a large accumulation of stocks in various areas. The color television sets in good demand still showed an increase of over 25 percent in the 1st quarter. Of textiles, a drop in chemical fiber output was necessitated by the readjustment of the mix of products. There had been an oversupply of chemical fibers, while the cotton cloth supply had fallen short of the needs of the domestic and international markets. So, a cutback in the output of chemical fibers and an increase in the production of pure cotton cloth was advocated by the Textile Industry Ministry. A drop in the production of large-sized machine tools, motor vehicles, and so forth reflected the initial results achieved in such macro control measures as controlling the scale of capital construction, controlling the inflation of consumption funds, and so forth. From this, it can be seen that the decreases in the output of certain products were right and proper. Such decreases did no harm but permitted savings in funds, energy, and raw materials.

Third, in judging output value, we must pay particular attention to macroeconomic results. The industrial production situation can be judged by how much output value and output have gone up. But macroeconomic results count more. In the 1st quarter of this year, due to the strengthening of management by many enterprises, product quality imrpoved and the consumption of raw materials dropped. The increase in taxes handed over to the higher levels by some areas and departments, in the profits realized, and in the earnings from sales exceeded the growth of output value. The situation concerning the state's revenue was favorable.

Of course, the situation in the 1st quarter was not all we desired. Relaxed control over ideological and political work in the process of wage readjustment resulted in the dampening of enthusiasm for production by certain workers. Different cherished ideas about the factory director responsibility system interfered with the exercise of functions by a number of factory directors and accounted for relaxed leadership over production. The same fixed standard followed in the matter of credit funds caused a general shortage of liquid funds in enterprises and produced an ill effect on the development of production. However, these problems have received the attention of the CPC Central Committee and the State Council and are being gradually taken care of. For example, concerning the problem of the factory director responsibility system, the leading comrades of the State Council have reiterated that we must continueusly uphold the system. It was clearly pointed out that factory directors have the power to employ people. On the problem of liquid funds, banks have taken four measures: 1) We must follow a policy of making distinctions in our approach to cases and granting loans on a rational basis. In granting industrial loans, we must give priority to support for the development of energy, communications, transportation, raw material-related, and other undertakings; support for the production of consumer goods suited for the market; and support for the production efforts of enterprises that earn foreign exchange as exporters. 2) Banks can grant special loans to newly-built and newly-expanded enterprises whose products are suited for the market and whose economic results are good, if they should find themselves short of funds. 3) Banks should actively help enterprise take care of accumulated stocks of goods and liquidating loans in arrears. 4) We should do a good job in providing funds where they are needed and appropriately ease credit terms concerning funds that are needed now in the development of production.

Given the implementation of these tasks and measures, our industrial production will show a steady increase or an increasingly strong performance. According to the forecast of some economists, the rate of industrial growth for the whole year is likely to be maintained at around 10 percent.

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CSO: 4006/997

INDUSTRY

NINGXIA INDUSTRY DEVELOPS STEADILY IN 1ST QUARTER

HK300821 Yichuan NINGXIA RIBAO in Chinese 18 Apr 86 p 1

[Report: "Ningxia's Industrial Production and Transportation Developed Steadily and Harmoniously in the First Quarter of 1986"]

[Text] In the first quarter of 1986, industrial production and transportation in the whole autonomous region maintained a good situation by achieving satisfactory economic results and maintaining an appropriate growth rate. This also led to a substantial increase in exports and revenues.

In the first quarter, industrial production and transportation continued to grow steadily and harmoniously. The total industrial output value in the whole region was 555.66 million yuan, marking an increase of 8.2 percent over the same period of last year. This growth rate was higher than the national average. Light industry and heavy industry increased respectively by 6.6 percent and 8.9 percent. Output of such products as steel, aluminum ingots, calcium carbide, cement, bearings, woolen blankets, and beer increased substantially. The coal industry also maintained a stable output in spite of more holidays in this period, and fulfilled one-fourth of the annual target. The railway freight volume in this region increased by 1.9 percent over the same period of last year, and the output of electricity increased by 27.88 percent. In the whole period of the first quarter, electricity supply was not subject to any rations, and this provided a good basis for the steady development of industrial production.

All the region's localities and departments have seriously carried out the spirit of the regional economic work conference and the recent telephone conference and have paid attention to summing up the experience in directing industrial production and transportation in the period of the Sixth 5-Year Plan anddppreventing themselves from relaxing efforts. From the beginning of the first quarter, they tried hard to maintain a good situation in which there are both good economic results and an appropriate growth rate in industrial production and transportation. Meanwhile, responsible comrades of various regional economic departments led other cadres to inspect work and make investigations in some key enterprises in Yinchuan and Zhizuishan. They helped those enterprises solve such problems as lack of raw materials, working funds, markets for farm machines and fertilizer, thus ensuring the steady growth in industrial production and transportation. In March, the total industrial output in the region exceeded 200 million yuan for the first time. The electricity bureau, the metallurgical industrial company, the petrochemical company, the urban and rural construction department, the state farm administration, Shizuishan City, and Wuzhong City increased their industrial output value to differing extents in the first quarter.

The work of increasing exports and foreign exchange earnings has also made substantial progress. The policies for promoting the integration of industrial production with foreign trade and for giving incentives to the enterprises to increase exports have effectively aroused the initiative of the enterprises to develop export-oriented production. Both the quantity and variety of export goods have been increased. In the first quarter, the region's total export volume reached $6.98 million, an increase of 162 percent over the same period last year. Among other goods, the export of anthracite, rice, and maize increased substantially. Since the beginning of this year, localities, departments, and enterprises in this region have continued to concentrate their efforts on improving economic results, stopping business losses, and increasing profits. The heavy industrial department, Yinchuan City, and Guyuan prefecture have substantially reduced the losses incurred by their enterprises. The regional revenue in the first quarter increased by 19.6 percent over the same period of last year.

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CSO: 4006/997

LEADERS INSPECT CHINA-MADE PLANES

OW160625 Beijing XINHUA Domestic Service in Chinese 1221 GMT 15 Apr 86

[Excerpts] Beijing, 15 Apr (XINHUA)--Nearly 50 members of the Central Advisory Commission inspected China-made planes at the Capital Airport today. They admired the major progress made in developing China's aeronautics industry and also made some suggestions for the further development of the industry.

Wang Shoudao, Wu Xiuquan, Chen Xilian, and Duan Junyi, members of the Standing Committee of the Central Advisory Commission, and other commission members carefully inspected five models of aircraft. They were the transport-5, transport-7, and transport-11, transport-8, and transport-12. After inquiring about the performance and manufacture of the aircraft, the advisors took to the sky in a transport-7 and transport-8.

On behalf of the Central Advisory Commission, Wu Xiuquan said: Today I am very pleased to see the different models of aircraft manufactured in China. The people of the entire country are concerned about the development of the aeronautics industry.

Wu Xiuquan pointed out. We should pool all our technical forces to tackle knotty problems in developing the aeronautics industry so as to enable China to manufacture many kinds of high-performance aircraft. While implementing the principle of giving priority to self-reliance, we should also bring in and apply advanced foreign technology.

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CSO: 4006/997

INCREASED INVESTMENT IN CHEMICAL INDUSTRY

OW241946 Beijing XINHUA in English 1541 GMT 24 Apr 86

[Text] Beijing, 24 Apr (XINHUA)--China will invest more than 20 billion yuan in developing and upgrading its chmical industry in the coming five years.

The announcement was made here today by Qin Zhongda, chemical industry minister, at a national work conference on the chemical industry which opened here today.

Qiu said the figure represents an increase of 64.5 percent in state investment for his industry in the next five years over the previous five years.

China's chemical industry is to construct 100 large and medium-sized projects in the coming five years, including three soda ash factories each with an annual production capacity of 600,000 tons in Shandong, Hebei and Jiangsu provinces.

China will upgrade 64 projects, including the Sichuan chemical plant, Liaohe chemical fertilizer factory and Nanjing chemical industrial company.

Of 100 new projects, 66 large and medium-sized projects will be built and go into operation in the period between 1986 and 1990.

By 1990, the annual output of chemical fertilizer produced in China will hit 16.3 million tons as against 13.35 million tons last year; soda ash will increase 75 percent, reaching 3.5 million tons.

The industry will give priorities to three aspects:

-- compound fertilizer and chemical ores: building a number of key projects for production of compound fertilizer and urea while upgrading medium-sized chemical fertilizer factories;

-- semi-finished chemical products: building three soda ash factories, each with an annual capacity of 600,000 tons, expanding five alkali factories and upgrading a number of small enterprises;

-- fine chemical products: undertaking 72 new projects and reconstruction projects, expanding production of chemical pesticides, dyestuffs, coatings, catalytic agents, additives and other reagents.

Minister Qin said the chemical industry is facing heavy tasks and four severe challenges: the speed of development has slowed down in the past few years and can not keep pace with industry and agriculture; large energy consumption but short supply of energy; irrational structure of products and competition in the world market; backward facilities and technology in some enterprises.

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CSO: 4020/318

LIAOWANG ON NEW TRENDS IN LIGHT INDUSTRIAL DEVELOPMENT

HK080727 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 17, 28 Apr 86 pp 15-16

[Article by Hong Kong [3163 3163] and He Yanping [0149 4291 1627]: "New Trends of Development in China's Light Industry"]

[Excerpts] In a recent speech, Chinese Premier Zhao Ziyang pointed out: On the consumer goods market, efforts should be made to create a situation marked by supply slightly exceeding demand in order to gradually develop a buyer's market. This idea has inspired Chinese consumers and indicated the direction for future consumer goods production.

From Having Adequate Food and Clothing To Beijing Fairly Well-Off

Before 1980, China's consumer goods pattern still stressed meeting the basic needs of the people with low income and low consumption as regards their simplist daily life. Light industrial production lagged behind the people's needs and there was a serious imbalance among agriculture, light industry, and heavy industry. As commodities were in short supply, we could not but use all kinds of tickets or certificates to restrict supplies. During the Sixth 5-Year Plan period (1981-1985), the Chinese Government vigorously developed consumer goods production by implementing a "six-priority" policy toward light industry. After several years of hard efforts, the situation marked by supply falling short of demand has notably changed. According to statistics, the light industry, which in terms of commodity value provides more than one-third of the total consumer goods market value, supplied the market with commodites worth more than 480 billion yuan during the Sixth 5-Year Plan period. It can be said that the Sixth 5-Year Plan period saw the great expansion and development of light industry. It was the best period in the history of light industrial production.

It is on this basis that the program for Light Industrial Development in the Seventh 5-Year Plan period has been drawn up. It is aimed at adapting to the need to gradually enhance the quality of the people's lives and lay a good foundation for development in the next decade. The specific goal is that the gross value of light industrial production in 1990 is set at 231 billion yuan, an average annual increase of 8 percent. This means that in the next 5 years light industry should provide the consumer goods market with commodities worth more than 1,600 billion yuan.

With its 40-plus major trades, light industry turns out a rich variety of products. Food, clothing, and durable consumer goods are regarded as the three mainstays of light industry. The output value of the three major trades always accounts for more than 40 percent of the total value of light industrial output. They are the trades most closely related to millions upon millions of consumers.

The total output value of the food industry, the first mainstay of light industry, was 20 billion yuan last year, accounting for 7.8 percent of the total value of light industrial output, up 80 percent over 1980. By 1990 it will have reached 30.8-35.8 billion yuan.

Durable consumer goods have developed most rapidly in China in recent years. Household electrical appliances in particular have grown by leaps and bounds, almost out of nothing. In 1980 the volume of retail sales in durable consumer goods accounted for only 4.4 percent of the country's total volume of retail sales in consumer goods, which was a very small proportion. By 1985 the total output value of household electrical appliances alone reached 6 billion yuan, an increase of 414 percent over 1980. The output of washing machines increased by 35 times, refrigerators by 23 times, and electric fans by 2.7 times.

By 1990 the total output value of household electrical appliances will have reached 17 billion yuan, an increase of 183 percent over 1980. The annual output of refrigerators and washing machines will have reached 5 million and 8 million respectively.

In the Seventh 5-Year Plan period, on the basis of improving economic results, China's light industry will maintain a better than moderate growth rate and strive, by 1990, to improve the quality of 25 percent of its products to such a level as to rival the quality products abroad.

Quicken the Pace of Entering the International Market

Light industrial products are China's traditional export products. The export value of light industrial products has always accounted for some 20 percent of China's total export value over the years. In the Sixth 5-Year Plan period, by exporting light industrial products China earned $24.2 billion in foreign exchange. In the future, the focus of development of China's light industrial export commodities will be placed in the coastal areas and open cities. China will rely on these areas to achieve the changeover of light industry from an inward-oriented to an outward-oriented pattern.

The foreign exchange earnings of China's light industry will increase by 60 percent. 90 over 1985, an average annual increase of 9.8 percent. It is estimated that at that time there will be 15 categories of products whose annual foreign exchange earnings through export will exceed 100 million yuan.

In the Sixth 5-Year Plan period, China imported nearly $3 billion worth of light industrial technology and equipment. It has transformed the outdated enterprises, developed the rising industries, increased the number and variety of new products, and reduced the consumption of energy and raw materials. During the Seventh 5-Year Plan period, China's light industry will continuously do a good job in imports, particularly the imports of software and technology. The focus of construction will be on the production lines of beer, clothes processing, papermaking, canned food, drinks, glass bottling, and leather.

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CSO: 4006/1025

BUILDING MATERIALS INDUSTRY TO GROW THROUGH PRC-FOREIGN WORK

HK100512 Beijing CHINA DAILY in English 10 May 86 p 1

[By staff reporter Liu Dizhong]

[Text] China is expanding its economic and technological co-operation with foreign countries to develop the nation's building materials industry.

Efforts are also being made to seek new world markets for China's traditional building materials like marble, granite, graphite, talcum and quartz.

Negotiations are in full swing to import technology and equipment to improve production of cement, plate glass, high-quality ceramics, wall and roof materials, architectural decorations and fitting materials. Foreign partners are mainly from Italy, Federal Republic Germany, Britain, France, the United States and Japan.

China also plans to import technology and other facilities to upgrade its exploration for and processing of the country's abundant marble and granite resources, Lin Hanxiong, director of the State Administration of Building Material Industry, told CHINA DAILY.

Lin said more than $200 million was spent last year on importing technology and equipment, which would not only help modernize the nation's building materials industry, particularly the production of new-type materials, but also greatly reduce the nation's import of high-quality fitting and decoration materials.

Economic co-operation with foreign countries also includes allowing foreigners to explore for deposits of some non-metallic minerals such as granite, marble, mica, gypsum and talcum, Lin said.

Widespread capital construction and the building boom both in urban and rural areas are the incentives for the rapid development of the nation's building materials industry. Production of cement this year is expected to reach 145 million tons, an increase of 15 percent over last year, and the output of plate glass will be 60 million standard crates, a rise of 9 percent.

INDUSTRY

PLANS TO INCREASE PAPER, CARDBOARD PRODUCTION REPORTED

OW071358 Beijing XINHUA in English 1226 GMT 7 May 86

[Text] Beijing, 7 May (XINHUA)--China will increase its production of paper products and cardboard and lower the weight of newsprint paper over the next 15 years, according to today's PEOPLE'S DAILY.

Paper products for daily use, such as toilet paper, diapers, paper napkins, and paper curtains, will account for six percent of the country's total paper production by the year 1990, as compared with almost four percent in 1980, said the DAILY.

China plans to produce 3.8 million tons of package cardboard in 1990, which will account for about 40 percent of the country's paper and cardboard products. Only 23 percent of China's paper and cardboard production in 1980 was given to package cardboard.

However, even with the increase, the country's package cardboard production will still fail to meet the market demand of 4.3 million tons in the year 1990, said the DAILY.

Lack of timber is a major factor which results in the unsatisfactory production of package cardboard, it noted. To tackle the problem, the DAILY said the country should explore its rich resources of cotton.

China produced more than 12 million tons of cotton in 1985. It takes approximately two tons of cotton to make one ton of cardboard.

To boost its paper industry, China will perform technical retooling in its large or middle-sized paper mills and increase research on technology of making paper from grass, bamboo, and bagasse pulp, said the DAILY.

The country will also increase its production of offset printing and copper printing process paper, coated magazine paper, web paper, liquid paper containers, duplicating paper, and computer paper.

The per square-meter weight of the country's newsprint will go from the present 51 grams to 48 grams or lower. Other types of paper will also be lightened over the next decade or so, said the DAILY.

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CSO: 4020/318

BRIEFS

INDUSTRIAL PRODUCTION IN CHONGQING--Industrial production in Chongqing City began to increase in April. Industrial output value for April increased by 3.6 percent over March. Due to shortage of power, capital, and raw materials, industrial production in the city decreased in the first quarter of this year. Since 10 April, the city CPC Committee and government have held three meetings on industrial production and adopted a series of urgent measures. Leaders at all levels in industrial and communications departments have gone to the grassroots to perform their official duties there. They have instituted the 24 hour duty system. All economic departments have also actively created conditions to boost industrial production. [Excerpt] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 6 May 86 HK] /12624

IRON, STEEL OUTPUT BOOST--Beijing, 4 Apr (XINHUA)--China produced 12.36 million tons of steel and 11.62 million tons of pig iron in the first 3 months of this year, the Metallurgical Industry Ministry announced today. Compared with the same period of last year, the steel output was up by 9.8 percent and iron, by 11.9 percent. The output of heavy and light rails, medium-thickness steel sheets and fine-quality shaped steel, which are badly needed in China, registered a 10 percent increase over the same period in 1985. The Ministry attributed the increase to the renovation of old iron and steel mills and the startup of the Baoshan Iron and Steel Corporation near Shanghai. [Text] [Beijing XINHUA in English 1915 GMT 4 Apr 86 OW] /12624

CSO: 4020/318

SHANGHAI'S JIANG ZEMIN ATTENDS HOUSING MEETING

OW101353 Shanghai City Service in Mandarin 0000 GMT 10 May 86

[Excerpts] Shanghai has laid down the goal for housing construction in the Seventh 5-Year Plan. It will strive for a per capita housing space of 6 square meters for the city proper.

The municipal government held a meeting on housing construction on 9 May to lay down the objectives of housing construction for this year and during the Seventh 5-Year Plan.

Mayor Jiang Zemin and Vice Mayor Ni Tianzeng attended and addressed the meeting.

Shanghai made fairly rapid progress in housing construction during the Sixth 5-Year Plan. However, housing shortage is still a prominent problem. Statistics show that Shanghai's per capita housing space is less than 3 square meters, and that there are more than 500,000 families with housing difficulties, where one room is shared by three generation or two couples.

The meeting proposed to complete and put to use 4.6 million square meters of houses with electricity this year. It laid emphasis on the construction of utility, power supply, and environmental projects for the residential areas.

Furthermore, the meeting disclosed that the major objectives in housing construction in Shanghai during the Seventh 5-Year Plan had been laid down, including the construction of 22 million square meters of new houses, equivalent to housing space for about 425,000 families. This will basically solve the problem of families currently experiencing special housing difficulties.

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CSO: 4006/1025

CONSTRUCTION

HUANG HE DIVERSION PROJECT TO SOLVE QINGDAO WATER PROBLEMS

HK091356 Hong Kong LIAOWANG OVERSEAS EDITION No 17, 28 Apr 86 p 18

[Article by Xiao Taifeng [5618 3141 1496] and Zhu Wenzhi [2612 2429 1807]: "Leading Water from the Huang He to Qingdao -- Another Large-scale Water Conservation Project in China"]

[Excerpts] After the project of diverting water from the Luan He to Tianjin was completed, another large-scale trans-river basin water diversion project in China -- diverting water from the Huang He to Qingdao -- was started in Shandong Province on 15 April. By the end of the 1980's, water from the Huang He, once the silt has settled, will flow to Qingdao City through a new canal, thus the long-standing problem of water shortage in the city will be basically solved.

Diverting Water from the Huang He to Qingdao

In the wake of constant economic growth and the implementation of the policy of opening up to the outside world, there is an evergrowing need for water in Qingdao City. In order to ensure that Qingdao's gross industrial output value will quadruple by 2000 and to turn Qingdao into a modern tourist and port city which, with light industry and the textile industry as its main production sectors, will have a prosperous economy, a beautiful environment, and a high standard of scientific and technological development, culture, and education, Shandong Province put forth on January 1982 a tentative trans-river basin diversion project aimed at drawing water from the Huang He to Qingdao.

Is it possible to draw water from the Huang He in Northern Shandong to Qingdao City on the southern side of the Shandong Peninsula? After thorough investigations, on-the-spot prospecting, and repeated comparisons and feasibility studies, water conservation experts from Shandong and other provinces unanimously agreed that this is a way to solve once and for all the problem of Qingdao's water supply as a reliable source of water is available and the whole plan is feasible and economically rational. During an inspection of the Huang He by Wan Li, Hu Qili, Li Peng, and other leaders from the CPC Central Committee and the State Council, it was decided that the open canal method would be used in the project of diverting water from the Huang He to Qingdao. On 18 October 1985, the State Council officially ratified this project, to be run by Shandong Province.

Sun Yirang, chief engineer in charge of the construction of the project, told us: The project of diverting water from the Huang He to Qingdao will start from the Dayuzhang water gate at Boxing County in Northern Shandong, the canal will pass through 10 counties and districts under the jurisdiction of Huidong prefecture, Dongying, Weifang, and Qingdao cities, cross over 36 large and small rivers including the Xiaoqing He, the Mi He, the Bailand He, the Wei He, the Jiaolai He, and the Dagu He, and then flow into Jihongtan Reservoir, which has a capacity of 140 million cubic meters, newly built on the southern side of the Qingdao-Jinan railway. After that, water will be drawn to Hedong Waterworks in Qingdao City through water supply pipelines. The total length of the water diversion system will be about 290 kilometers. It will contain more than 330 pumping stations, aqueducts, bridges, waterworks, and culvert gates. The volume of excavation and fill involved in the whole project will total 60 million cubic meters and the stone laying work will total 900,000 cubic meters. With an investment of 800 million yuan, the whole project will be basically completed in 3 years and rounded off in 4 years.

The project of diverting water from the Huang He to Qingdao will be the greatest water conservation and urban construction project that Shandong Province has initiated in the past 30-odd years since the founding of the PRC. Given a 95-percent water supply rate, the project, after completion, will supply Qingdao with 109.5 million cubic meters of water a year, or 300,000 tons a day. So, a fundamental turn for the better in water supply will be effected in Qingdao City by the year 2000. In light of the importance of the role that water plays in industrial production, the project will bring Qingdao an additional income of more than 180 million yuan a year, and the city's per-capita consumption of water will be raised from the current level of less than 50 liters a day to over 160 liters a day by 2000.

Looking ahead, Chief Engineer Sun Yirang said: In the near future, Shandong will launch a project to divert water from the south to the north, that is, to divert water from the Chang Jiang to Dongping Lake; and another project to divert water from the western part of the province to its eastern part, that is, to divert water from Dongping Lake to Shengli Oil Field bordering on the Bo Hai. These projects, linked with the project of diverting water from the Huang He to Qingdao, will form an artery for water supply stretching across the central part of Shandong Province which will make the unified control and use of the waters of the Chang Jiang, the Huang He, and local sources possible. This will be of inestimable significance to the long-term development of Shandong Province.

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CSO: 4006/1025

CONSTRUCTION

DALIAN PORT UNDER LARGE-SCALE CONSTRUCTION

OW120559 Beijing XINHUA in English 0540 GMT 12 May 86

[Text] Dalian, 12 May (XINHUA)--Twenty-two projects are under construciton to upgrade the freight-handling capacity of Dalian, the biggest port in north China, according to the city authorities.

The annual handling capacity of the port will increase from 43 million tons in 1985 to 70 million tons by 1990.

The port handles import and export goods for the whole of northeast China, including Liaoning, Jilin and Heilongjiang provinces and the eastern part of the inner Mongolia autonomous region.

Since the state decided to open Dalian to the outside world in 1984, imports and exports in this region have risen so rapidly that port congestion has become a serious problem.

The projects under construction include:

-- the Heshangdao coal harbor, with an annual capacity of five million tons. Some 30 km from the city proper, the harbor is scheduled to go into operation by 1988;

-- a berth to accommodate 200,000 dwt oil tankers;

-- the Dayao bay harbor. With ten berths to accommodate ships under 100,000 dwt, the harbor will have an annual capacity of 5.7 million tons after its completion in 1994;

In addition, 19 technological transformation projects are underway.

The local government has invested in the transformation of a coal dock into one to handle corn, with an annual capacity of 1.5 million tons. The project will be completed by the end of this year.

Meanwhile, the state has imported 40 diesel locomotives from the United States to accelerate transportation of imports and exports from the port to other parts of China.

The port is also streamlining the loading and unloading equipment.

At the same time, five medium-sized and small ports are being built along the 2,000 km of coastal line of Liaoning peninsula to divert imports and exports from Dalian and so ease the congestion in that port.

The Dalian Marine Safety Control Bureau under the Ministry of Communications was set up recently, to facilitate the operations of foreign ships.

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CSO: 4020/318

BEIJING MAYOR COMMENTS ON PRESERVING CITY'S CHARACTER

OW131201 Beijing XINHUA in English 1146 GMT 13 May 86

[Text] Beijing, 13 May (XINHUA)--From now on, buildings constructed in Beijing should keep in harmony with the ancient edifice, mayor Chen Xitong said here today.

Only two or three-story buildings not exceeding nine meters in height will be allowed within 250 meters of the walls of the imperial palace, he specified.

For areas nearby, the maximum height of buildings will be 18 meters, he added.

In addition to restricting the height of new buildings, the mayor called for keeping the flavor of the ancient capital especially in areas round the forbidden city.

Beijing was China's capital for more than 800 years, from the Yuan (1271-1368) through to the Qing dynasty (1644-1911).

He made these proposals in a report on Beijing's social and economic development during the Seventh Five-Year Plan period (1986-1990) to the Fifth Session of the Eighth Municipal People's Congress which opened in the great hall of the people.

Still more effective protection of cultural relics and sites of historic interest was another proposal. So far, Beijing has designated 189 such relics and sites under state or municipal protection.

Beijing should also strive to integrate the national and modern building styles, he said, under the principle of building Beijing into a modern city while preserving its characteristics as an ancient capital.

The new buildings should be not only beautiful but practical and economical, he added.

Unauthorized construction of buildings will be banned, such as grabbing every bit of space to erect buildings among old houses.

Over the past three decades, he noted, the city area, in a chess-board pattern, has expanded greatly, with the old north-south axis extending to 15.3 km from 7.8 km, while a new east-west axis has been formed with the widening and extending of east and west Changan Boulevard.

The old city wall has been demolished and ring roads and underpasses constructed.

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CSO: 4020/318

CONSTRUCTION

BRIEFS

CHINA TO COMPLETE PROJECTS--Beijing, 25 Apr (XINHUA)--China is to complete 78 major capital construction projects this year, according to the State Planning Commission today. This will add an extra 15 million tons of coal, 84 million bbl of crude oil, 3.8 million tons of steel and two million tons of cement a year. It will also add a generating capacity of 4.8 million kw to the country's power industry and increase the cargo handling capacity of ports by 24 million tons. New railway lines totaling 1,000 km will be opened this year, with some 300 km of lines electrified. The projects also cover the textile, electronics, automobile, machine-building, medicine, water conservancy, and light and defense industries. [Text] [Beijing XINHUA in English 1050 GMT 25 Apr 86 OW] /12624

TIANJIN MAYOR DISCUSSES RECONSTRUCTION--Tianjin, 26 Apr (XINHUA)--Tianjin has more than repaired the damages caused by a 7.8-magnitude earthquake in 1976, through reconstruction over the past decade. Speaking at a municipal People's Congress session now in progress, Mayor Li Ruihuan said that over the past decade, Tianjin has built houses with a floor space of more than 22 million square meters. The earthquake, which occurred in nearby Tanshan on July 28, 1976, damaged more than 16 million square meters of Tianjin's housing, he said. A dozen new residential quarters, with one million households, have been completed. Meanwhile, the city has repaired or reinforced 14 million square meters of housing. In the course of reconstruction, Tianjin widened 30 streets and built two ring roads with a total length of 35 km, as well as a dozen overpasses. From now on, the mayor said, municipal construction will be in line with an overall plan that envisages Tianjin as an industrial economic center and an international port. [Text] [Beijing XINHUA in English 0904 GMT 25 Apr 86 OW] /12624

TIANJIN HARBOR BUILDS BERTHS--The Nanjiang freighter berth [Kaochuandun Bowei 7237 5307 4321 3124 0143] construction project in Tianjin Harbor formally started on 26 April. As one of the key construction projects of Tianjin Harbor, the project involves seven 10,000-ton-class berths. Upon the completion of this project, 11 million tons of loading and unloading capacity will be added to Tianjin Harbor. [Summary] [Tianjin TIANJIN RIBAO in Chinese 27 Apr 86 p 1 SK] /12624

CSO: 4006/1025

FOREIGN TRADE AND INVESTMENT

JIANGXI USED MORE FOREIGN CAPITAL IN 1985

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Dec 85 p 3

[Article by reporter Chen Yao [7115 3852]: "Jiangxi Quickens Tempo of Using Foreign Capital--European, American, and Southeast Asian Investments Account for 80 Percent and Priority Is Given to the Development of Energy, Communications, Posts, Telecommunications, and Tourism"]

[Text] According to the Jiangxi Provincial Government, Jiangxi in 1985 absorbed $1 billion of foreign capital for the funding of 165 projects, an 18.7-fold increase over 1984. Among these projects, 16 have already been completed and put into production.

A government official of this province said it is estimated that after they are completed and put into production, the 118 imported items of technology and equipment which cost over $56 million will produce 1 billion yuan of output value annually.

This official said that one of the characteristics in Jiangxi's efforts to quicken its tempo of using foreign capital in 1985 is strengthening energy construction. After the Jiangxi Power Network was merged into the Central China Power Network in the second half of 1983, four thermal power generator sets with a total capacity of 500,000 KW in Jiujiang and Guixi areas were put into operation, increasing the total installed capacity of Jiangxi Province to 2.15 million KW or so.

In the meantime, the government encouraged all departments to strive to rejuvenate communications businesses. Two new air routes--one from Lushan to Xian via Huiyang and another from Wuhan to Fuzhou via Nanchang--were open and flights from Nanchang to Beijing and Guangzhou were increased in 1985. Since its offical operation in June 1985, the Wangan Railway has reduced pressure on the two trunk lines of the Zhegan and Yingxia railways.

A number of guest houses and hotels were built and expanded in major industrial and tourist cities such as Nanchang, Jingdezhen, and Jiujiang.

In addition, efforts are being stepped up to replace communications, posts, and telecommunications facilities. A set of 10,000 program-controlled telephones are now being installed in the provincial capital--Nanchang--and will be put into operation in 1986 according to the plan.

This official also said that in the past most investors came from the Hong Kong and Macao area. In 1985, foreign businessmen came one after another from European, American, and Southeast Asian countries. Their investments have increased to about 80 percent.

While absorbing foreign capital, Jiangxi also established joint ventures in Japan, the Federal Republic of Germany, and Hong Kong. It also signed letters of intent for local investment in South Dakota and New York of the United States.

Located in the hinterland to the south of the Chang Jiang, Jiangxi Province is rich in natural resources. In opening to the outside, it has emphasized the need to choose projects that yield great economic results and quick foreign exchange earnings while building export commodity bases and developing export trade.

12302
CSO: 4006/716

TRADE BETWEEN MAINLAND CHINA, HONG KONG INCREASES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 7 Jan 86 p 5

[Article by staff reporters: "Mainland China Strengthens Economic Activities in Hong Kong--Cooperation Projects and the Transactions of Export Commodities Broke Records in 1985"]

[Text] Last year was a year in which the most frequent economic contacts were made between mainland China and Hong Kong. Various provinces and municipalities repeatedly sponsored various economic talks and fairs and set up trade organizations one after another in Hong Kong. At the same time, Hong Kong-based Chinese organizations also formed corporations. These activities have accelerated economic cooperation between the two areas.

Last year, a total of 20 provinces and municipalities of mainland China sponsored economic and technological cooperation talks and export commodity fairs in Hong Kong with great successes. According to incomplete statistics, various agreements and letters of intent signed last year on economic and technological cooperation involve over $3 billion and the transactions of export commities amounted to over $500 million, breaking historical records. Of all provinces, Guangdong had the richest results. It signed over 300 contracts worth more than $1.1 billion and exported nearly $200 million of commodities. Shanxi, Hunan, Yunnan, and Guangxi provinces and autonomous regions came to hold talks in Hong Kong for the first time and even the remote Nei Monggol Autonomous Region also brought to Hong Kong 54 economic and technological cooperation projects.

Last year, mainland China's economic activities in Hong Kong mainly consisted of import and export trade, technological and financial cooperation, personnel training, and the study of management experience.

Last year was a year in which the greatest number of trade organizations were established in Hong Kong by various provinces and municipalities of mainland China. Jiangsu, Guangxi, Qinghai, Henan, Hunan, Shaanxi, Guizhou, and Nei Monggol provinces and autonomous regions and Fuzhou, Beihai, and Ningbo cities established new organizations in Hong Kong. Last year alone, 10 municipalities and cities of Guangdong Province established companies in Hong Kong.

Many Hong Kong-based Chinese organizations have concentrated on diversified business, increased investment in Hong Kong, and formed corporations. Last year, the China Merchants Corp., the China Travel Service, the Yuehai, Shenye, and Huamin companies formed corporations one after another in Hong Kong.

The China Merchants Corp. is one of the Chinese organizations of the longest history and greatest assets in Hong Kong. It has now developed into a large international corporation with nearly 200 subordinate companies, subsidiaries, and jointly-managed companies. The China Travel Service has been in Hong Kong for several decades. It has not only built new buildings and bought two hotels in Hong Kong but also prepared to build an "Overseas Chinese Town" in Shenzhen and vigorously engaged in many businesses, including domestic and foreign travel services, consulting service, industry, passenger and freight transport, and trade. In addition, the China Resources Holding Co.--the largest trade organization of mainland China in Hong Kong, which was incorporated in 1983--now owns over 50 subordinate companies of sole proprietorship and has developed its business scope from trade to industry, navigation, storage, and general merchandise. Last year the China Resources Holding Co. invested HK $250 million to develop the Changshawan cargo wharf and warehouse to meet the increasing need for freight transport between mainland China and Hong Kong. The Everbright Corp., which was incorporated in 1984 and now owns 11 subsidiaries, has imported over $500 million of technology and equipment for mainland China in the past 2 years. Chinese organizations which are active in all sectors of Hong Kong's economy have become an important force in accelerating economic exchange and cooperation between mainland China and Hong Kong.

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FOREIGN TRADE AND INVESTMENT

HEILONGJIANG PLANTS GIVEN GREATER AUTONOMY IN FOREIGN TRADE

SK111030 Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 10 May 86

[Text] The Harbin Electrical Machinery Plant, the Jiamusi Electrical Machinery Plant, and five other machinery and electrical product plants of our province have been designated as the state's first group of enterprises entitled to greater autonomy in foreign trade.

Machinery and electrical product enterprises of our province possess fairly substantial strength, and many of our machinery and electrical products have entered the international market. The successful operation of the large 210,000-kilowatt thermal power-generating equipment exported to Pakistan for the first time through bidding by the Harbin Power Station Equipment company has shown that the large power-generating equipment designed, manufactured, and installed by our province has a very strong competitive edge in the world.

In order to arouse the initiative of enterprises in earning foreign exchange through exports, and gradually establish a network for the production of export machinery and electrical products, our province's Harbin Electrical Machinery Plant, Jiamusi Electrical Machinery Plant, Qiqihar No. 1 Heavy Machinery Plant, Harbin Power Station Equipment Company, Harbin Measuring and Cutting Tools Plant, Harbin Bearings Plant, and Harbin (Jiancheng) Machinery Plant were designated as our country's first group of machinery and electrical product enterprises entitled to greater autonomy in foreign trade after being examined and approved by relevant departments of the State Council. These enterprises with great autonomy enjoy the state's preferential policies in the import of equipment and raw materials, and in carrying out technical transformation. At the same time, the state has also set forth specific demands on these enterprises.

/12624
CSO: 4006/1028

GOVERNOR ATTENDS JIANGXI ECONOMIC, TRADE MEETING

OW070806 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 3 Mar 86

[Excerpts] Jiangxi Province recently held a provincial economic and trade meeting in Xinyu City. The meeting pointed out: It is necessary to mobilize governments at all levels; arouse enthusiasm in all quarters; and for both the leadership and the rank and file to make joint efforts to increase export trade, earn more foreign exchange, and improve Jiangxi's economic work and trade as soon as possible. This should be achieved in the same way in which we support the construction of the old revolutionary base areas and lengthen the two short legs [as heard].

The meeting pointed out: In 1965 Jiangxi's export trade growth was slightly higher than the national average. However, it still lagged far behind some other provinces, and was incommensurate to Jiangxi's abundant natural resources and total industrial and agricultural output value.

Ni Xiance, deputy secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi, attended and addressed the meeting; as did Jiang Zhuping, member of the Standing Committee of the provincial Party Committee and vice governor of Jiangxi.

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CSO: 4006/1028

FOREIGN TRADE AND INVESTMENT

HUNAN GOVERNOR MEETS VISITING HONG KONG DELEGATION

HK141308 Changsha Hunan Provincial Service in Mandarin 1100 GMT 9 Apr 86

[Text] Led by Mr (Ma Szu-ming), president of the Hong Kong Hutchison Whampoa Group, and (Huang Ni-hung), acting chairman of the board of directors of Hong Kong (Zhongxin) Investment Company, Limited, the hometown-visiting delegation of Hong Kong business circles, composed of 11 persons, arrived in Changsha this morning. The delegation will pay 4-day visits to our province and will hold talks on economic cooperation.

At the invitation of the provincial government, this delegation of Hong Kong business circles has come to visit our province. The Hutchison Whampoa Group is one of the financial groups in Hong Kong with the greatest actual strength. Its gross capital exceeds $1 billion.

In January of this year, supported by Mr K.S. Li, chairman of the board of directors of the Hutchison Whampoa Group and a famous Chinese entrepreneur in Hong Kong, the Hutchison Whampoa Group and the Hunan International Economic Development Company set up (Zhongxin) Investment Company, Limited, with joint capital. Thus, the Hutchison Whampoa Group has established connections with our province.

After the delegation arrived in Changsha this morning, Governor Xiong Qingquan met all members of the hometown-visiting delegation and held cordial talks with them. Governor Xiong introduced our province's situation in resources and economic construction and hoped to import capital and technology to speed up economic construction.

Mr (Ma Szu-ming) and others were greatly interested in our province's abundant resources and in the big market and declared that they would carry out extensive and long-term economic cooperation with our province so that the connection already established can become still closer.

/12624
CSO: 4006/1028

FOREIGN TRADE AND INVESTMENT

HEILONGJIANG'S EFFORTS AT ECONOMIC MODERNIZATION SKETCHED

Beijing LIAOWANG [OUTLOOK] in Chinese No 48, 2 Dec 85 p 27

[Article by Kang Weizhong [1660 0251 0022] and Wang Baoxin [3769 1405 2946]: "Open the Main Gate and Advance into the World---An On-the-Spot Report on Heilongjiang Province's Work in Opening to the Outside World"]

[Text] On 25 and 26 August, Heilongjiang Province held talks on economic and technical cooperation and on export goods at which it received more than 800 foreign guests, the largest number of people to attend similar talks in the country this year. Export trade transactions concluded during the talks amounted to $342 million, and 62 joint venture, cooperation, and compensation trade agreements and agreements for the importation of technology and equipment were signed, totaling an investment of more than 260 million yuan. This included the signing of 10 contracts for economic cooperation and compensation trade and 50 contracts for the importation of technology and equipment. In addition, 77 agreements and declarations of intent were signed for economic and technical cooperation and the importation of technology and equipment. During 1985, the province concluded a total of 176 agreements for the importation of technology and equipment for joint ventures, cooperation, and compensation trade for a total investment of more than 635 million yuan and it concluded a foreign exchange volume of more than $135 million. Use of foreign capital more than doubled over 1984 and was greater than the total amount of foreign capital used during the previous 5 years.

Following the 3d Plenum of the 11th Party Central Committee, in order to translate advantages in natural resources into production advantages and economic advantages, the Heilongjiang Provincial CPC Committee and the provincial government formulated correct strategic objectives for opening to the outside world and enlivening the domestic economy. The Provincial CPC Committee and provincial government repeatedly discussed and studied these matters, concluding that opening to the outside world was a road that had to be taken for vigorous development of Heilongjiang's economy. This was because most of the equipment and technology required for energizing key enterprises for development of the province's national economy, and particularly the equipment and technology in the the 20 key projects built during the First 5-Year Plan, is outmoded. Furthermore, most of these enterprises were for the preliminary processing of raw materials and the province had large amounts of other natural resources urgently in need of development. Thus, the importation of the technology, capital, and all the advanced things the province needed through opening up to the outside world had become a key issue in the vigorous development of Heilongjiang that had to be taken firmly in hand, actively and with initiative.

How could Heilongjiang Province, which has always been regarded as the "great northern waste, open its main gate? To use the words of the provincial governor, Hou Jie [0186 2212], this meant "making the most of advantages, taking the initiative in moving out, making friends on a wide scale, and strengthening ties." Principal leading cadres in the Heilongjiang CPC Committee and government have visited some countries and regions in Europe, North America, and Southeast Asia, have had wideranging contacts with governments, economic circles, and persons in industry, have increased their understanding, and have sought to increase channels, levels, and forms of economic and technical cooperation. In order to provide foreign traders with an understanding of Heilongjiang, in 1984 Provincial Governor Hou Jie held a press conference in Hong Kong that was attended by Chinese and foreign correspondents, which provided a systematic briefing on Heilongjiang. Early in 1985, he held a news release conference in the capital at which provincial government persons in charge again announced Heilongjiang Province's desire to cooperate with foreign countries on 110 projects, and that the Heilongjiang Provincial Government had instituted 12 preferential policies concerning taxes, markets, prices, foreign exchange, and import and export controls for investments in various kinds of enterprises in the province by compatriots from Hong Kong, Macao, and Taiwan, by overseas Chinese abroad, and by foreign traders.

Heilongjiang Province has set up in Hong Kong the Port Consultation and Development Company Limited, the Longfeng Company Limited, and the Longguang Enterprise Company Limited, and it jointly operates with local notables the Benha [phonetic] Company Limited in Zaire. In the United States, it operates a joint venture with overseas Chinese in Guam called the Pacific Group Development Company, and in New York it has established the Heilongjiang Commercial Department as part of the Chinese Trade Center. It maintains similar organizations in Hamburg and in Madagascar. It has used these "windows" for wide-ranging development of foreign contacts, causing a "Heilongjiang craze" in some countries and regions. During the past 1 or 2 years, nearly 30,000 compatriots from Hong Kong and Macao, overseas Chinese from abroad, and foreigners have annually visited Heilongjiang for economic and technical discussions, for sightseeing, and for tourism. Inside China, Heilongjiang Province has established diverse economic and technical cooperative relationships with more than 300 cities in 28 provinces, municipalities, and autonomous regions.

Once numerous economic and technical cooperation projects have gone into production, they have effectively improved the technical quality of enterprises, improved product quality, increased competitiveness and developed staying power. For example, the Haerbin Electric Cable Plant introduced new, internationally advanced oxygen-free copper rod technology to solve the problem of the not very high quality of its electric cables. As a result, the enterprise's technological level and the quality of its products reached advanced world standards, and economic results rose markedly. After the

Haerbin Linen Textile Plant imported advanced linen weaving equipment, product quality rose, colors and styles increased, and the increase in output value during the same year that the equipment went into production amounted to 23 million yuan.

When General Secretary Hu Yaobang visited Heilongjiang on a fact-finding mission in August 1984, he gave instructions on Heilongjiang's further opening of its main gate to the outside world. The provincial CPC Committee and the provincial government reviewed and summarized experiences for the several previous years in opening to the outside world, positively made adjustments to the open door structure, opened up the frontier ports on the Hei He and the Suifen He, and developed water, land, and air transportation avenues between the ports and the hinterland. As a result, this inland province gradually turned into a port province. Great increase also took place in the province's small volume of trade with the Soviet Union, this year's export of 330,000 tons of soybeans to the USSR having been completed ahead of schedule.

The provincial CPC Committee and the provincial government proposed 10 additional specific actions for further implementation of Central Committee directives and for widespread development of economic and technical cooperation with the outside world and for preparing the wherewithal for an economic takeoff. These actions included further institution of preferential policies for opening to the outside world; establishment of direct economic channels to foreign countries; emphasizing strengths and avoiding weaknesses in the launching of economic and technical cooperation with foreign countries; encouraging enterprises to expand their exports to produce foreign exchange; drawing up near-term and intermediate-term economic and technical cooperation plans; launching of imports from outside and contacts inside to promote inter-province economic and technical cooperation; acceleration of the training in groups and over a period of time of cadres for work in the foreign economic field; increased building of an economic and technical information network; launching of economic diplomacy inside and outside China; and establishment of a centralized economic and technical cooperation organization. All this work is presently in train.

Heilongjiang Provincial Governor Comrade Hou Jie believes that though Heilongjiang Province has scored achievements in opening to the outside world in a short period of time and has explored some experiences, nevertheless it still has to put a lot of effort into economic and technical cooperation with the outside world and it has to link these efforts to the national economic development strategy. It has to place major emphasis on the training of a corps of economic cadres, further widen the sphere of cooperation, and render good performance in all-around planning and overall deployments so that the vigorous growth of Heilongjiang's economy will see a new takeoff.

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CSO: 4006/623

FOREIGN TRADE AND INVESTMENT

OPPOSITION EXPRESSED TO AMERICAN TEXTILE RESTRICTIONS

Beijing LIAOWANG [OUTLOOK] in Chinese No 48, 2 Dec 85 pp 31-32

[Article by Li Zongyang [2621 1350 2554]: "American Bill That Seriously Damages the Interests of Developing Countries"]

[Text] On 13 November, the United States Senate passed a bill that places harsh restrictions on the importation of textiles and ready-made clothing. This bill and the same kind of bill passed on 10 October by the House of Representatives will seriously damage exports by developing countries.

Acting in the name of protecting the United States textile industry, the two houses of Congress set out unilaterally to scrap the international obligations the United States assumed within the purview of the General Agreement on Trade and Tariffs [GATT] without regard for bilateral textile product trade accords concluded with more than 30 trading partners, tremendously reducing or freezing textile import quotas. According to the provisions of the harsh Jenkins bill, 1985 exports to the United States of textiles and ready-made clothing by 11 countries and regions in Asia and Brazil in Latin America are to be reduced by an average 35 percent. Exports from Indonesia, Thailand,and the Philippines will be cut by 81 percent, 64 percent, and 21 percent respectively. China's exports to the United States of textiles and ready-made clothing are also to be slashed 56 percent. As a result of this action, our deficit of trade to the United States will increase by $500 million. According to the provisions of the bill passed by the Senate, even though China's exports of textiles to the United States will not reach the increased quotas set by the "Multi-Fiber Arrangement" [MFA], they will violate the clauses pertaining to consultation contained in the Sino-American bilateral textile trade agreement. All kinds of textiles not currently subject to import regulations will be made a part of the unilateral restrictions.

Textiles and ready-made clothing are the main export items and sources of foreign exchange earnings for very many developing countries and regions. It has been estimated that as a result of the American important restrictions these countries will sustain a decline in foreign exchange amounting to $3.5 billion annually, and large numbers of workers in these countries will lose their jobs. The All Pakistan Textile Plant Association is apprehensive that the American bill restricting textile imports "might mean disaster for us." In Indonesia, a 3.5 million member textile trade union recently pointed out indignantly that this American bill "is a departure from America's own free trade principles."

Ever since the United States became the most powerful country in the capitalist world, it has consistently supported so-called "free trade for a fairly long period of time." However, as the American Dupont Company's director, Heckert said recently, this was matter that took place in a situation in which the "United States controlled world exports." Currently more than 300 proposals for the protection of individual industries or to attack individual exporting countries have piled up in the United States Congress awaiting decisions. The bill to restrict textile imports is the "spearhead" in this surge of trade protectionism. If these proposals, which amount to "buy American" become laws that are put into effect, then the principle of "fair free trade" will obviously no longer be utterable.

In reality, as a result of the MFA passed in 1973 and the standards based on this accord that the United States bilaterally concluded in several score agreements with textile exporting developing countries, the United States already severely restricted imports of various textile products and clothing. According to officially announced figures, American imports of textiles and ready made clothing declined 2.1 percent between January and August 1985 as compared with the same period during the previous year. During July and August, the decline was 13.3 and 7.2 percent respectively over the same period during the previous year. During the first 8 months of 1985, American imports from China of textiles and ready-made clothing were 20.6 percent less than during the same period in 1984.

China is a relatively new textile trading partner of the United States. China's exports of textiles to the United States are by no means a very large proportion of America's total imports, but textiles are a substantial proportion of China's exports to the United States. According to published American materials, China's exports of textiles and ready-made clothing to the United States amount to 42.32 percent of its total exports to the United States. Import restrictions on export products of such a large magnitude will doubtlessly block entry into the American market of Chinese goods, and thus must block healthy development of Sino-American trade relations. In May 1985, the Chinese government solemnly pointed out that inasmuch as China has run a trade deficit for a long period of time in its trade with the United States, American acceptance of goods shipped to America from China in order to develop bilateral trade has been of particular significance. The bill limiting imports of textiles and ready-made clothing passed by the two houses of Congress has clearly not seriously considered the legitimate interests of China.

Looked at in another way, American limitations on imports of Chinese textiles and ready-made clothing will seriously affect America's own exports even in the absence of legitimate retaliation. Revision of foreign aid bill number 327 approved in June 1985 by the United States Senate Foreign Relations Committee pointed out that inasmuch as the People's Republic of China is the world's largest potential market, Congress feels that exports should be increased to insure greater entry into the increasingly developing China market. But if Chinese exports to the United States of textiles and ready-made clothing are to be harshly limited, China's adverse balance of trade is to increase and foreign exchange to decrease, how will China be able to import more American products?

The content of the bill from the two houses of Congress limiting imports of textiles and ready-made clothing contravenes both the bilateral trade agreement between China and the United States and the MFA. Moreover, such a bill that disregards the development of trade relations between one country and another and that places the blame on its trading partners for its labor problems and adverse balance of payments that result from internal imbalances in the American economy is also extremely unjust. Consequently, governments, businesses, and the masses of workers in numerous textile exporting countries and regions such as the Philippines, Indonesia, Thailand, and Hong Kong have used various methods to express their intense dissatisfaction. It should be particularly noted that for the United States to institute harsh limitations on imports of textiles would not be consistent with the provisions of article 301 of the trade law of the United States itself. According to that article, the president of the United States has authority to fix import quotas only to help exporters who have been limited by foreign trade barriers. In point of fact, the difficulties in which the American textile industry finds itself are not the result of foreign limitations on its exports. Therefore, it is unreasonable for the United States to adopt restrictive measures unilaterally.

Reportedly President Reagan will veto the bill limiting textile imports, and at the present time the number of supporters of the bill to restrict textile imports in both houses of Congress is insufficient to override the president's veto. However, American government officials privately acknowledge that even were Reagan to veto the bill, the fact that such protectionist legislation had been passed by Congress could be used as a bargaining chip for warning America's trading partners. If this is truly the case, such a political game should not be played.

Today many members of government and the public express apprehensions lest protectionist legislation limiting textile imports not only place obstacles in the way of the development of trade between one country and another and impose serious hardships on the economy and society of developing countries, but also adversely affects the export of billions of dollars' worth of American agricultural products, forcing consumers in the country to spend $14 billion each year as a result of price inflation, creating widespread employment among retail employees, longshoremen, and transportation workers, and reducing American government revenues from tariffs by $2.5 billion.

Development of trade relations between the United States and China hold broad prospects. The amount of bilateral trade between China and the United States will continue to grow this year. Therefore, so long as both sides have the desire to continue to promote healthy development of trade relationships, no new barriers can be permitted to be erected on the road ahead.

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CSO: 4006/623

FOREIGN TRADE AND INVESTMENT

BRIEFS

JILIN FIRST-QUARTER EXPORTS--In the first quarter this year, Jilin Province exported commodities worth $120.14 million, accounting for 27.17 percent of the annual export plan, a 176 percent increase over the figure of the corresponding 1985 period, and equal to the gross export volume of 1981. By the end of March, the province exported 750,000 tons of corn, accounting for 26.8 percent of the annual export plan, and overfulfilled its quarter Gaoliang export plan by 50 percent. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 17 Apr 86 SK] /12624

HEILONGJIANG DEVELOPS BORDER TRADE--Since the border trade with the far east areas of the Soviet Union was restored in 1982, our province's export and import volume has reached more than 100 million yuan. The reasonable structure of imported or exported commodities has formed the relationship in which the province and the Soviet areas help supply each other's needs. The province's imported commodities chiefly are timber, cement, glass, fertilizer, (soda ash), refrigerators, vacuum cleaners, and meat mincers. The province's exported commodities chiefly are soybeans, canned meat, fruits, shelled peanuts, garments, knitted and textile goods, vacuum bottles, and bristle brushes. Since 1985, our province has also conducted the pilot work for exchanging commodities with Poland and Czechoslovakia through these Soviet areas. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 21 Apr 86 SK] /12624

PRC SATELLITE STATIONS--According to ZHONGGUO DIANZI BAO [CHINA ELECTRONICS JOURNAL], after being displayed at the Asian and Pacific Fair in Beijing in 1985, the 6-meter satellite TV ground station, which was produced by the No 39 Research Institute of the Ministry of Electronics Industry, was chosen by the China Council for the Promotion of International Trade as an exhibit of the International Fair to be held in 1986 in Moscow. At the Asian and Pacific Fair, 650,000 yuan of deals were made on the 6-meter satellite TV ground stations of the No 39 Research Institute, accounting for almost 50 percent of the total transactions of the electronic exhibition hall. On the opening day of the Asian and Pacific Fair, the commercial councilor of the U.S. Council in China expressed his intention to buy the 6-meter station immediately after he watched U.S. and Australian TV programs received by the 6-meter station via No 14 international communications satellite, which is above the Pacific. Singapore, Canada, Austrialia, Indonesia, and India are all very interested in the satellite TV gound station and hope that they can exchange information and carry out further talks with the research institute. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Dec 85 p 3] 12302

CSO: 4006/716

HONG KONG BUSINESSMEN INVEST HEAVILY IN XIAMEN

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Dec 85 p 3

[Text] Hong Kong investments account approximately for 65 percent of foreign capital in the Xiamen Special Economic Zone and rank in the first place.

According to statistics, since its founding in 1980, the Xiamen SEZ has signed 280 contracts with foreign and Hong Kong investors on joint venture, cooperative, and wholly-owned business projects involving a total investment of $614 million. Among them, 217 projects are funded by Hong Kong investments amounting to $399 million.

Hong Kong investments cover a wide range of businesses including industrial production, real estate, communications and transport, tourism, and commerce. The development of the Huli industrial district as a whole and the soliciting of foreign investment for this purpose are taken care of mainly by the Xiamen SEZ Joint Development Company, which was jointly established by 13 Chinese banks in Xiamen and Hong Kong. This company is planning to invest 300 million yuan in Huli to carry out 20 projects.

Many projects funded by Hong Kong investment in the Xiamen SEZ have begun to yield relatively good economic results. Yongtai Electronics, Ltd., which is wholly owned by Hong Kong investors, produces multi-purpose computer telephones and sells all its products abroad. Xiamen and Baodun Investment, Ltd. of Hong Kong cooperated in building the New Hubin Overseas Chinese Village. Since houses built during the first and second phase of construction sold well, they signed another contract on the third phase of construction.

Since the beginning of 1985, the number of Hong Kong businessmen engaging in real estate in Xiamen has increased markedly. As of today, four companies--the Meihui, Baiying, Jianyuan, and Longquan--have signed contracts with Xiamen, deciding to cooperate with Xiamen in building a number of apartments, high rises, new residential areas, and villas with a total floor space of about 150,000 square meters.

Hong Kong businessmen are also front runners in the capital import of the Xiamen SEZ. China's first joint venture bank--the Xiamen International Bank, which was opened at the end of November 1985--was established jointly by Fujian Province and the Pan-Indian Corporation, Ltd. of Hong Kong.

12302
CSO: 4006/716

XIAMEN BECOMES EXPORT-ORIENTED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 8 Jan 86 p 3

[Text] By opening up avenues for foreign exchange earnings, Xiamen City exported over 100 million yuan of local products in 1985, a 50-percent increase over 1984, thereby accelerating the transfer of the zone's economy to an export-oriented one.

In 1985, the Xiamen City Government adopted some preferential measures. For instance, it allowed enterprises which produced new export products to deduct interest on loans, designated specialized foreign trade companies as export agents for products made in the zone, awarded enterprises which earned a remarkable amount of foreign exchange, and made concrete stipulations regarding the sharing of foreign exchange earnings. These measures aroused the enthusiasm of enterprises producing and dealing with export products for earning foreign exchange. Many enterprises which produced traditional export products worked to upgrade products and increase export volume. In spite of the considerable amount of difficulties in exports in 1985, specialized foreign trade companies organized sources of goods in all fields and managed to export over $17 million of products on behalf of the Xiamen SEZ by November 1985.

In order to keep foreign trade channels unclogged, Xiamen City further reformed the foreign trade system and increased the number of industrial enterprises, which handled exports on their own, to 36. These factories combined industrial and trade processes, directly contacted, negotiated with, and signed contracts with foreign businessmen, promptly organized production in accordance with foreign economic information, and opened up new export channels. As of today, industrial enterprises have earned $3.5 million by exporting products on their own. At the same time, Xiamen City also began to handle entrepot trade. In 1985, the city established duty-free warehouses to store electrical appliances, steel products, machinery, equipment, and other imported commodities and then ship them out to other countries. This business has raked in over $10 million of foreign exchange in storage fees, freight, processing fees, and service charges. Currently, countries and areas using Xiamen as an entrepot are Hong Kong, Japan, the United States, and the European Economic Community.

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STATE ALLOCATES MORE AID FOR MINORITY NATIONALITIES

OW051733 Beijing XINHUA in English 1423 GMT 5 May 86

[Text] Beijing, 5 May (XINHUA)--China is to allocate more than nine billion yuan this year as subsidies and special funds to areas inhabited by minority nationalities, an official of China's Nationalities Affairs Commission said today.

This is 600 million yuan more than the figure last year, added Batu, director of the commission's finance and economics department.

He said that, apart from a 10 percent raise in financial subsidies, the country will also increase its development funds to the five autonomous regions of Xinjiang, Tibet, Inner Mongolia, Ningxia and Guangxi as well as to Yunnan, Guizhou and Qinghai provinces.

He explained that these subsidies and special funds include mobile and reserve funds for areas which have autonomous areas for minority nationalities, subsidies for capital construction in frontier areas and allowances for minority nationality areas.

The official, who is of the Mongolian nationality, said the state will also earmark 100 million yuan to help spread primary-school education in areas inhabited by minority nationalities in every year of the Seventh Five-Year Plan period (1986-1990).

He urged minority areas to make good use of these funds so as to speed up economic construction in these areas and improve the material and cultural life of minority nationalities.

/12624
CSO: 4020/319

POPULATION

BRIEFS

BOOK SERIES ON POPULATION--A book series on China's population to be published in the next five years will "fill in some academic gaps", according to the "Health Journal". In addition, the journal says, it will help people understand and tackle China's population problems, the journal said. Included will be topics such as population make-up and trends, birth and mortality rates, and the urban, senior and female population. [Text] [Beijing XINHUA in English 1455 GMT 30 Apr 86 OW] /12624

CSO: 4020/319

LIAOWANG REPORTS ON ECONOMIC REFORM IN BULGARIA

HK061440 Beijing LIAOWANG in Chinese No 16, 21 Apr 86 pp 34, 35

["Special dispatch" from Sofia by contributing correspondents Sun Weixi [1327 4850 3556] and Wang Jinbo [3769 6855 2672]: "The Bulgarian Communist Party has Decided on the Policies for Scientific and Technological Revolution and Economic Reform"]

[Text] "The reform we have embarked on is not only broad in scale and complex, but also rigid. We must blaze a trail through all manner of difficulties and will meet with many things we do not know. However, for the sake of the people and social progress and in order to work for the well-being of the people, we must carry the reform through to the end because we have started it." This call was made by Todor Khristov Zhivkov, general secretary of the Bulgarian Communist Party [BCP] Central Committee, to all party members and the nation in his speech opening the 13th Party Congress.

The 13th Party Congress was held in Sofia on 2-5 April. Zhivkov delivered a report at the opening ceremony. The meeting approved the Ninth 5-Year Plan and the national program for social, economic, and cultural development before 2000 and decided on the basic principles for scientific and technological revolution and economic reform in the next 15 years. At the 1st plenum of the 11th BCP Congress, 75-year-old Zhivkov was reelected general secretary. This was the eighth time he was elected top leader of the BCP Central Committee since he held the post of the party's first secretary in April 1956.

Attach Primary Importance to Scientific and Technological Revolution

The 13th BCP Congress attached strategic importance to scientific and technological revolution and placed it "before everything else" in the party. In his speech opening the congress, Zhivkov pointed out: "Scientific and technological revolution is suited to socialist society and also to the law of the development of capitalist society. For us, the promotion of scientific and technological revolution is aimed at building a developed socialist society." Therefore, "We must conduct a profound reform."

Bulgaria covers an area of over 110,000 square kilometers and has a population of about 8.9 million. In the prewar period, it was a poverty-stricken agriculture country and one of the most economically backward nations in Europe. Through more than 40 years of hard work, Bulgaria has been built into a relatively developed industrial and agricultural country. In the early 1980's, the national income was 11 times greater than the figure of 1939, a year with a distinguished record in the prewar period, and industrial goods, instead of primary farm produce, constituted a large proportion of export commodities. The country ranks 14th among the world's 29 exporters of machinery. Bulgaria is short of raw materials and energy. The extensive development of the national economy for many years in the past should be replaced by intensive development. Therefore, scientific and technological revolution will become a "super key" to the development of the national economy. In his speech, Zhivkov pointed out seriously: "Our science, both in promoting material progress and in developing cultural and social progress, is still divorced from actual conditions, and it has not been turned into omnipotent productive forces which can promote social progress in an all-round way." He also stressed: "We must make good use of foreign scientific, instrumented mechanisms. This is and will be of great value to our country, which has limited material and human resources."

The 13th BCP Congress attached great importance to the growth of intellectuals and scientific and technical personnel. In his speech at the congress, Zhivkov noted: "We must considerably change our remuneration and incentive methods as well as the forms and methods for raising the professional skill of scientists, engineers, designers, and highly-skilled experts."

"Economic organizations of self-government" have been set up according to a resolution adopted by the BCP Central Committee plenum in February 1985. They maintain independence in the financial, production, management, and legal aspects and are of socialist nature, which can produce material and spiritual wealth.

The 13th BCP Congress pointed out: Implementation of the "principle of self-government" is aimed at "changing the principle of departmental management in economic work, getting rid of bureaucratic practices, and transiting to new planning and management methods," because the principle of departmental management "is no longer able to play to positive role" under the new historical conditions and "runs counter to the new trends of scientific and technological advance." This is why "we must remove obstacles and combine formation of strategic plans with the ample power and initiative of self-government organizations."

In order to stimulate the reform, an "economic committee" was established in January 1986 as a "supplementary organ for implementing state economic policies." All resolutions adopted by the economic committee within the limits of its authority are equally authentic as decrees issued by the national assembly. In formulating and implementing economic policies, the economic committee exchanges views with economic organizations of self-government, and by so doing, it establishes mutual relations with the State Planning Committee."

In his speech at the 13th BCP Congress, Zhivkov stressed: "Economic organizations of self-government are engines of economic activities, they implement state economic policies, and work as producers of socialist commodities. A new type of relationship must be established between economic organizations and government departments. Such a relationship enables them to play their role of commodity producers on the basis of self-government in the whole course of reproduction."

Economic Race and Competition

In the light of Zhivkov's report and summary made by the BCP Central Committee, the 13th BCP Congress called for economic race and competition at home and abroad in future economic development.

Zhivkov said: "In my opinion, there is no reason for us to fear competition. We have no grounds to continue nursing our commodity producers in hothouses. Experience teaches us that we have been in a state of competition for a long time." From now on, "Economic mechanism should become an effective means in promoting emulation and competition among socialist organizations. Economic mechanism should respect the interests of both consumers and commodity producers."

In order to meet the needs of carrying out scientific and technological revolution and economic reform in the country, government organizations were readjusted with a change of personnel before the 13th BCP Congress. The plenary session of the party Central Committee held in January this year decided to set up an economic committee, a social committee, and a scientific, cultural, and educational committee (at the 20th meeting of the national assembly held in March this year, the scientific, cultural, and educational committee was redesignated as a committee for spiritual development); disbanded the State Planning Committee and the Ministry of Foreign Trade; and established many relevant departments. Following the readjustments of government organizations, there was a series of personnel changes. According to an incomplete estimate, personnel changes before the 13th Party Congress involved 32 cadres, including the chairman of the national assembly, ministers, and vice ministers. This was the greatest reshuffle of senior government officials in Bulgaria in recent years.

The new leading body of the BCP Central Committee elected at its 13th Congress comprises 22 persons: 11 full members and 4 candidate members of its Political Bureau and 9 members of its Secretariat (4 members of the Secretariat are also members of the political bureau). The average age of all members of the Political Bureau is 58.6. In terms of the composition of the Political Bureau as a whole, it has gained more leaders in their prime with professional knowledge who have been appointed to take charge of economic work.

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CSO: 4006/1018

LIAOWANG ON SOVIET REFORM OF ECONOMIC STRUCTURE

HK281345 Beijing LIAOWANG in Chinese No 15, 14 Apr 86 pp 32-33

[Article by Mao Rongfang [3029 5554 5364]: "The 27th CPSU Congress and Reform of the Economic Structure"]

[Text] The 27th CPSU Congress convened not long ago ascertained the strategy for accelerating Soviet social and economic development proposed by the April 1985 CPSU plenary session. It is regarded as a key to solving all problems of the Soviet Union -- short- and long-term, economic, social, political and ideological, internal as well as external. The approaches to realize this strategy for development are: Accelerating the progress of science and technology, readjusting the investment policies and structure of the national economy, and improving the efficiency of the national economy's management. All this, in the final analysis, is determined by whether it is possible for basic reform of the existing economic system to succeed.

Evaluation of the Existing Economic Structure

Is it necessary to carry out basic reform of the existing domestic economic structure? For a long time, opinions have differed on this question in the Soviet Union. One opinion is that production relations and the nature of productive forces will automatically adapt to each other under socialism; therefore, the economic structure in operation will also automatically adapt to the nature of the development of productive forces; regarding which, no reform is necessary; only some improvement will suffice. Objective causes often take the blame for problems and difficulties emerging in the economy. Since improvement in the economic structure was carried out in 1965, the Soviet Union stressed only "making perfect and complete" the economic structure in operation, but never mentioned reform, not to say basic reform. It is precisely under the guidance of such a concept that the economic structure formed under the historical condition of the 1930's has undergone important reform, save some partial and minor mending.

The 27th CPSU Congress made an entirely different evaluation of the existing economic structure. In this political report, Gorbachev criticizes the so-called theory of automatic adaption and aptly points out that the existing Soviet economic structure which took shape under the condition of extensive development has "gradually become outmoded" begun to lose its stimulation, and even become a roadblock to the development of productive forces. It is precisely based on such an analysis that the 27th CPSU Congress formulated its principle that basic reform should be carried out of the existing economic structure instead of partial improvement. Opinions abroad believe that this is a breakthrough in the udnerstanding of the CPSU leadership, which gives the green light to the reform of the Soviet economic structure.

Basic Direction and Essence of the Reform

Reform primarily involves the emancipation of minds and eradication of prejudices. Gorbachev stresses that it is necessary to eliminate conventional thinking and mode of practice and that some theoretical views and concepts should be dealt with in a new approach, starting from the needs of realities. This applies to theoretical issues having a direct bearing on the reform of the economic structure in particular, such as the interaction between productive forces and production relations under socialism, the relation between socialist ownership and the economic form realizing such ownership, the relation between commodities and money, and the linkage between the central authorities and the self-decision power of economic organizations.

The aim of the reform of the economic structure is to make social production meet social needs. It is necessary to make management try to improve the economic results of social production and product quality, step up the progress of science and technology, and bring into play the initiatives and socialist enterprising spirit of all links in the national economy, labor collectives primarily, and the workers' concern for the result of their work. The basic direction and essence of reform are:

1. Readjusting the economic relation between the state and the enterprises. The basic concept is the focus on the dialectical unity between centralizaton and decentralization. On the one hand, the central level is required to go all out to grasp macrocontrol over the economy, namely the basic target of relevant economic strategy, and the rate and proportion in the development of the national economy, and its balance. To achieve this, it is primarily necessary to reorganize the work of the State Planning Committee, ridding it of the day-to-day economic affairs, so that it may become a genuinely scientific advisory department of the state and may improve its efficiency in centralized leadership of the economy. On the other hand, it is necessary to expand the decisionmaking power of the enterprises and to heighten their responsibility for the final economic results of their work. Production corporations and enterprises should become complete economic accounting units with self-raised funds, and their role as socialist commodity producers should be strengthened. And second, in the agricultural managerial structure, the economic relations between the state, the collective, and the individual will also be readjusted. The 27th CPSU Congress proposed two new measures: First, the state will stipulate a fixed annual product purchase quota in the 5-year plan for collective and state farms; the overfulfilled portion is left to the farms' disposal. Second, in continuing to promote the collective

contracted responsibility system for production teams and groups, the contracted responsibility system on the household basis will also be spread. For a long time, opinions have differed on the contracted responsibility system on the household basis, and there is no end to the debate. However, this form of labor organization and work payment was affirmed for the first time in the political report of the 27th CPSU Congress. The 20 March issue of PRAVDA even published an article to propagate the advantages of the contracted responsibility system on the household basis when criticizing some people for underestimating, and even strongly opposing, the contracted responsibility system on the household basis. These two reform measures are expected to promote the initiatives of agricultural labor collectives and individuals and accelerate agricultural development.

2. Strengthening utilization of the relation between commodities and money, and adopting the approach of economic leadership. The 27th CPSU Congress explicitly proposed reforms in the existing systems of materials and technology supplies, prices, finance, credit, and economic stimulation.

The direction for reform in the system of materials and technology supplies is to develop the lateral linkage between production enterprises and their customers -- namely, setting up long-term economic linkage between the two parties on the basis of a contract -- so that demand and supply will come together face to face in developing the wholesale business of production means. The wording in the reform of the price system is rather cautious. It is only mentioned that the price system should be reformed in a planned way on principle, so that it may have greater flexibility and more effective economic accounting may be implemented. However, the reform must be suitable for the task of raising the actual income of the citizens. Regarding the principle for price formation, it explicitly proposes that consideration should be given not only to production cost, but also the property, quality, and usefulness of products, as well as the law of supply and demand. It is estimated that no important changes will take place in the highly centralized Soviet price control structure. It will stimulate the progress of science and technology, and improve product quality chiefly by means of a price rise for good quality products and a price cut for inferior products.

On the financial and credit systems, Gorbachev criticizes the practice of covering deficits of backward units and localities by means of large-scale redistribution of profits of enterprises and departments as well as local income. He believes this practice has shaken the economic accounting system and brought about the phenomenon of relying on others for support, which has actually weakened the effects of financial credit on the economy. The task of the reform of the financial and credit systems is to carry out economic stimulation in the economic activities of enterprises and to strengthen economic accounting. An important component of the reform of the financial and credit systems is to make complete and perfect the measures of turning over circulation tax, profits, and other budgetary payment.

In economic stimulation, the guiding idea is to link material incentive organically with material punishment, and to change the practice of "stressing material rewards only without meting out necessary punishment," as was the case in the past. In specific measures, it is necessary to embody the principle that the incomes of the labor collective and the individual depending directly on the results of the managerial activities of the enterprise and the work result of the worker, and egalitarianism must be overcome.

3. Reforming the organizational structure of management. The basic orientation is to strengthen trans-departmental economic linkage, to develop all kinds of economic combination, and to streamline managerial links. First, numerous professions will be combined into a number of comprehensive entities, each comprising mutually connected departments. For example, the agricultural-industrial comprehensive entity formed not long ago is set up on the basis of six departments related to agriculture. Under preparation are the machine building comprehensive entity and the fuel comprehensive entity. Such comprehensive entities are favorable for overcoming departmental barriers and strengthening the lateral linkage between departments. And second, the original 3-level managerial system -- ministry, industrial corporations, and production corporations -- will be streamlined into a 2-level managerial system -- ministry and production corporations -- and the intermediate link, the industrial corporations, will be removed. At the same time, departmental management and local management should be rationally connected.

4. Realizing all-round managerial democratization. In this respect, the importance of the human factor is stressed. The 27th CPSU Congress proposed, on principle, the role of workers in management, the strengthening of socialist self-rule and supervision from bottom to top, and making it a system of the work report of economic organs and its openness to the public.

Reform Has Just Begun

The 27th CPSU Congress expressed its determination of the basic reform of the existing economic system and drawn out the basic outline and major respects of reform from now on, but it has not drawn up a specific plan for reform. Looking at the basic outline, the reform from now on will make greater breakthrough compared with the past project set in the key tune of "making perfect and complete."

In 1984, the Soviet Union carried out an economic experiment in more than 700 production corporations and enterprises under 5 ministries, the contents of which included the essentials of the conception for the current reform of the economic structure. The realm of economic experiment gradually expanded in 1985 and 1986. The conditions for economic experiment are planned to become the managerial conditions for all industrial enterprises in 1987.

The Soviet reform of the economic structure has just begun at present. Reform is a very complicated and arduous task. It will involve all respects of social and economic life. All kinds of difficulties, resistence, and even new contradictions will come up in the course of reform. Regarding historical lessons, successes are difficult if comprehensiveness and resoluteness are not persisted in. The 27th CPSU Congress has attached importance to historical lessons. However, to achieve this, it needs not only determination but also time and unremittent efforts.

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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

STRENGTHENING OF ENTERPRISE VIGOR DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 7, 5 Jul 85 pp 22-23, 38

[Article by Huang Ruilin [7806 3843 7207]: "How to Further Strengthen Enterprise Vigor"]

[Text]

I

In strengthening enterprise vigor, the state must provide policies and the necessary external conditions, the crux of which is the implementation of enterprise autonomy. In the past few years, more autonomy was first granted to small urban enterprises while large and middle-sized enterprises were expected to carry the burden of turning over more funds to the state and fulfilling the production tasks called for in directive planning. Now that small enterprises have been invigorated, the large and middle-sized enterprises are faced with a serious challenge. The problem of enlivening further large and middle-sized key enterprises should be placed on the current agenda. This will require, first of all, the expansion of further autonomy for these enterprises by: 1. Shrinking the scope of directive planning, at the same time leaving the enterprises with more room to maneuver so that they can overfulfill their targets. The enterprises should be given charge over a larger share of goods in short supply on the market and be allowed to sell any amount produced over the quota. 2. Appropriately reducing adjustment taxes on large and middle-sized enterprises that get good economic returns, contribute a lot and produce a great deal of profit while retaining little of it. 3. Raising the depreciation rate on fixed assets to resolve the difficulties of large and middle-sized key enterprises in finding sources of capital for technological renovation. 4. Expanding the scope of rewards for conserving energy and raw materials. Individual rewards for conservation should not be limited to the 16 categories of material goods stipulated last year. With the approval of the prefecture and municipality, rewards should be granted to units whose rate of material depletion is lower than that of last year. 5. Granting some large and middle-sized enterprises the right to deal directly with foreign business concerns. Under the centralized principles, policies and planned guidance of the state, these enterprises should be able to directly import technology, engage in joint ventures, cooperative production, and compensation trade with foreigners. They should be able to import the equipment, instruments, and maintenance and other parts they need, and have the right to negotiate and sign contracts with foreign businessmen. 6. Freeing these enterprises to diversify production while concentrating on one area. Based on the prin ciple of making full use of advantages, mutual benefit, and voluntarism, they should be able to cross the boundaries of region and industry to engage in diversified, cooperative operations, including developing tertiary industry, without the interference of supervisory departments. 7. Implementing contract systems of responsibility, leasing and transferral of rights in some state-run small enterprises. The crux of the matter at present is now that the state has given more power to the enterprises, it has to really go through with it without interfering or chipping away at those rights at each level. The state certainly should not be allowed to withdraw in secret what it has granted in public.

II

Methods for strengthening enterprise vigor must be found within the enterprise itself, and a complete reform must be conducted. Although external conditions are admittedly important, internal factors are central. In addition to the provision of policies and implementation of the granting of autonomy to the enterprise by the state, the enterprise must take its own measures in order to genuinely increase its vigor. This is because the vigor of an enterprise is decided, in the end, by its quality. The quality of a great majority of enterprises at present is still not high. For some time, they have relied on inexpensive raw materials and agricultural byproducts and low wages to maintain production, which has hidden their backwardness. Now the situation has changed, and both costs and losses have increased for many enterprises. If this were calculated in terms of prices on the international market, a large percentage of profitable processing enterprises would show losses. If this is not altered, the enterprise will have no way to survive the intense competition on domestic and foreign markets. To improve enterprise quality and strengthen enterprise vigor requires a complete internal reform. At present we must emphasize the following reforms:

First, we must reform the enterprise's internal management system and institute systems of economic responsibility at every level. This will have a remarkable effect on the implementation of other reform measures and the overall improvement of enterprise quality. In the past 2 or 3 years, many enterprises have learned from the Shougang experience, achieving gratifying results in implementing internal systems of economic responsibility. However, the development of these systems has been uneven and only a few have done a good job of it. Standards for most enterprises have been low, and for some, reform has simply been a matter of surface, formalistic change, while some enterprises have not even begun. We must further improve the enterprise's internal economic system of responsibility, divide up the economic responsibilities given by the state to the enterprise among all units and individuals subordinate to it and devise systems of personal economic responsibility in production, technology, and specialized management, in order to promote the integration of responsibilities, rights, and profits.

Second, we must reform the enterprise's internal leadership system and implement a system in which the factory director is in charge. Modern enterprises are characterized by a fine division of labor and a high degree of continuity in production. Technical requirements are strict and relations of coordination are complex. Therefore, a centralized, strong, highly effective system of production command and business management must be created, which can only be accomplished under a system of responsibility with a single director at its head. Fairly profound traditions and habits have been left us by the past implementation of the system of responsibility in which the plant director functioned under the secretary of the party committee, so not all of us have the same understanding of the factory director system. Therefore, on the basis of a genuine summation of the experiences of pilot projects, we must promote and comprehensively implement the new system. We must grant the factory director the power to command and make important decisions regarding the administration and management of the entire plant. At the same time, there must be a clear separation of the functions and limits of power of the party, government, and labor section so that a correct balanced relationship exists among the three. The supervisory and guaranteeing role of the party committee must be brought into full play.

Third, we must reform the enterprise's wage system and distribution of bonuses and implement the principle of each according to his labor. This will be an important measure in balancing the relationship between the workers and staff. The State Council has decided to reform the wage and bonus system in enterprises so that the total amount of wages and bonuses are linked up with economic returns and will fluctuate proportionately. The state has only ratified the total amount of wages and bonuses. Outside of that, it is up to the enterprise to determine its own wage system and means of distributing bonuses. Enterprises can use different forms of wages based on their particular production characteristics and management conditions. No matter what form is selected, there must be a connection between the workers' wage income, the enterprise's economic effectiveness, and labor productivity. The wage form must reflect the size of the individual's contribution to the state and the quality of his performance in order to reward industriousness, punish sloth, and enable workers to receive more for working more. Through concern for their material interests, the workers will learn to feel concern for the enterprise's production and sales, thereby increasing the economic effectiveness of the enterprise.

Fourth, we must reform methods of enterprise business management and shift from the simple production form to an open operations form in order to adapt to competition on the market under new conditions. The socialist economy is a planned commodity economy built on a foundation of the system of public ownership. In any commodity economy there is inevitably competition. As a relatively independent producer and manager of commodities, the enterprise must participate in competition on the market. This necessitates that enterprise leadership have a grasp of the concepts of the marketplace, of input and output, of finance, and of the development of intellectual resources. In order to adapt to this change, the enterprise must create "open operations type" management organs, improve market research, stress business-related policy decisions, constantly improve their technological level and business management methods, provide good-quality, inexpensive products that satisfy needs, provide good service, maintain a high reputation, and develop and seek victory in competition.

III

While strengthening enterprise vigor, we must also improve macroeconomic management. The more we enliven the economy, the more we must emphasize macroeconomic adjustment. If we were to say that the entire economy is like a huge, organic entity, then the enterprise is a cell within that organism. The relationship of the enterprise to society's economy is one of the microcosm to the macrocosm, of the part to the whole. The survival of the cells is the foundation of the survival of the organism. When the cell is "lively" the entire organism can develop healthily. If not, the cell can only show "vigor" and a normal metabolism by maintaining each part of the entire organism and the coordination and balance of all parts. In other words, only when the entire national economy is balanced and developed in a coordinated fashion, does the enterprise have a possibility of being invigorated. Therefore, invigorating the enterprise and the necessary macroeconomic controls and management are mutually complementary and not antagonistic.

It should be realized that the current overall economic reform is at a stage in which new forms are in the process of replacing the old. The influence of the old "everyone eats from one big pot" form has not yet totally faded, and the new-style mechanisms are not yet perfect, which easily leads to inflated demands and loss of macroeconomic control. Last year, due to their selfish departmentalism, some localities and units indiscriminately raised the wage scale, issued bonuses, subsidies, goods and gifts and indulged in great waste. Nor did they turn over to the state the excess bonus tax according to regulations. Banks competed to issue loans and ignored the need for comprehensiveness and balance in the utilization of foreign exchange. All this created difficulties for the development of the economy and disturbed the process of the overall economic reform. Therefore, at the same time that we further invigorate the enterprise, we must also make an effort to strengthen macroeconomic management and prevent loss of control.

Our present emphasis on regulating the management of the macroeconomy does not, by any means, imply a return to the old ways or a restoration of the original rigid macroeconomic system of control which often squeezed the life out of enterprises. It means, rather, that we must study, create, and perfect a macroeconomic management and regulation system that is suited to a planned commodity economy, so that there are close but successful controls over larger projects and items, and loose, invigorating guidance over smaller ones. Particular attention should be paid to strengthening the following aspects of macroeconomic management: 1. Strengthening credit management, controlling the issuance of currency and ceasing the overly liberal provision of funds. In order to control the issuing of currency, an enterprise that applies for credit must have a certain amount of its own capital. The banks should have the power to inspect and supervise how the enterprise utilizes its funds. 2. Strengthening management over consumption funds to avoid out-of-control increases. 3. Controlling the scope of investment in fixed assets. Capital construction and technological improvement projects should be conducted only according to our capacity to do so within the plan. 4. Strengthening foreign exchange management. We must encourage the enterprise to earn more foreign currency while using less and seek to achieve a balance between its imports and exports. 5. Strengthening financial discipline. We must resolutely put an end to unhealthy tendencies and improve management over finances, taxes, auditing, commodity prices, and industrial and commercial administration. Educating the workers and staff to gain an understanding of the state, the overall situation, of planning, policies, and discipline must be improved. We must correctly balance the interests of the whole versus the part, and short-term versus long-term profit, so that enterprise reform and the invigorating of the economy can proceed in a correct direction.

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DEVELOPMENT STRATEGY FOR TOWNSHIP, TOWN ENTERPRISES

Beijing NONGYE JISHU JINGJI [ECONOMICS FOR AGRICULTURAL PRODUCTION TECHNOLOGY] in Chinese No 11, Nov 85 pp 13-15

[Article by He Junwei [6320 6511 0251] and Li Xiangang [2621 7359 0474] of the General Administrative and Management Office of the Ministry of Agriculture, Animal Husbandry and Fishery: "A Discussion of the Development Strategy of Township and Town Enterprises"]

[Text] The Development Process of Township and Town Enterprises

China's township and town enterprises were developed on the basis of the rural handicraft industry along with the development of the cooperative transformation of agriculture. During the early period of the cooperative transformation of agriculture, approximately 1 million farmers who were also dealers of handicraft commodities and some professional handicraftsmen living in the rural areas joined agricultural cooperatives. With these people serving as backbone forces, some workshops and small processing plants were established to carry out sideline production under the administration of agricultural cooperatives. These sideline occupations which were nurtured in the body of agriculture laid a solid foundation for the later development of commune- and brigade-run enterprises. According to estimates, the national output value of these occupations reached 10 billion yuan at the end of 1957. According to the statistics of the State Statistics Bureau, in 1958, there were 260,000 commune-run industrial enterprises throughout the country and their output value totalled 6.2 billion yuan. During the difficult period, commune industries were seriously affected. In 1961, the national output value of commune industries declined to 1.96 billion yuan. In the following year, it declined to 790 million yuan. By 1963, it was only 410 million yuan. It was not until the mid and late 1960's that the situation began to improve. By 1970, the output value of commune industries had been basically restored to the level of the late 1950's. During the "Great Cultural Revolution" period, commune enterprises were mainly rural industries based on the two levels of communes and production brigades. In 1976, the national output value of commune- and brigade-run enterprises reached 27.2 billion yuan, of which, the output value of industries at commune and brigade levels accounted for 24.3 billion yuan--12.4 billion yuan at the commune level and 11.9 billion yuan at the brigade level.

In the few years following the 3d Plenary Session of the 11th CPC Central Committee, tens of thousands of township and town enterprises mushroomed and their output value increased at an average annual rate of 14 percent. By 1983, their total output value had already reached 99.9 billion yuan. In 1984, the central government issued documents No 1 and No 4 which accelerated the development of township and town enterprises. In that year, a new situation appeared, in which "five wheels"--enterprises run by townships (towns), village (brigade) production teams, enterprises run jointly by commune members, and enterprises run by individuals--turned all at the same time. According to statistics, their total output value reached 170.9 billion yuan, an increase of 40 percent over 1983. Of which, the output value of township and town industries accounted for 125.4 billion yuan, their profits reached 18.7 billion yuan in the same year, their tax and profit delivery to the state reached 9 billion yuan and their major products also increased by a wide margin. The total output value of township and town enterprises is now greater than the total value of China's industrial and agricultural output in 1957 and the production capacity of township industries is also greater than that of China's whole industry in 1964. Township and town enterprises have become a force that cannot be ignored in the state economic construction.

Current Characteristics

1. Multiple levels. Township and town enterprises are developed at multiple levels. With enterprises at the township (town) and village levels as dominant factors, township and town enterprises include cooperative enterprises jointly run by commune members, cooperative industries in other forms and enterprises run by individuals (see the following table).

The Multi-level Development of Township and Town Enterprises in 1984

Item	Enterprise		Output value	
	Number (10,000)	Proportion (%)	Output value (100 million yuan)	Proportion (%)
Township (town)& villages	165	27	1433	84
Commune members' cooperatives	90	15	126	7
Other forms	21	3	33	2
Individual enterprises	330	55	117	7
Total	606	100	1709	100

2. Multiple industries. Township and town enterprises is a general term for enterprises run by peasants. They are a rural economic system consisting of five major industries--agriculture, industry, communications and transport, the building industry and commercial services. As far as township and town industries are concerned, there are coal, power, chemical, metallurgical, building materials, forest, machine-building, food, textile, sewing, leather,

paper-making, cultural and educational and industrial arts industries. Judged from the development of the past few years, the set-up has been gradually rationalized.

3. Doing away with the restrictions of "three locals." During the early period of the establishment of township and town enterprises, a development principle promoting "local materials, local processing and local sales" was put forward. But, along with the development of the national economy and the reform of the economic structure, this principle has become less and less suitable for today's situation. As a result, in the past few years, township and town enterprises in some economically better developed areas such as Wuxi of Jiangsu, Ningbo of Zhejiang, Hainan of Guangdong and the outskirts of Beijing, Tianjin and Shanghai municipalities have done away with these restrictions, carried out "internal integration and external cooperation" and horizontal integration and cooperation between different industries, regions and ownerships and played the role as an "organic medium" to link urban and rural areas. The reform of the urban economic system has further accelerated the development of this trend, thus enabling urban and rural areas to change their divided economic relation to a coordinated one and forming a situation in which urban and rural economies develop in tandem.

4. More medium-sized and small enterprises. Township and town enterprises generally have a moderate scale. Most of them are medium-sized and small enterprises. Take the main part--enterprises at the township (town) and village levels--for instance. In 1984, there were 1.65 million enterprises and 38.48 million staff members and workers and their output value totalled 143.3 billion yuan, averaging 23 workers and 87,000 yuan of output value per enterprise.

5. Market regulation. About 5 percent of township and town enterprises' production is directly included in the state plan, another 10 percent is indirectly included in the state plan and the remaining 80 percent or so is regulated by the market. Compared with state-run enterprises, township and town enterprises may be considered as a mixed industrial system based on market regulation.

6. Imbalance. Judged from the national situation, the development and distribution of township and town enterprises are very uneven. The general situation is: Eastern areas are more developed than western areas, southern ares are more developed than northern areas, coastal areas are more developed than inland areas, flatlands are more developed than mountainous areas and city (town) suburban areas are more developed than rural areas. For instance, the output value of township and town enterprises of Beijing, Tianjin and Shanghai municipalities and Shandong, Guangdong, Zhejiang and Jiangsu provinces account for over 55 percent of the nation's total while that of remote border provinces and inland provinces such as Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang, Nei Monggol, Guangxi and Yunnan account only for 5 percent of the nation's total.

7. Tendency toward cooperatives. Along with the increasingly deep reform of the rural economic system, the contracted management responsibility system has been widely adopted. In 1984, Jiangsu's experience--"one contract and three

reforms"--was publicized nationwide. As a result, the nature and position of enterprises have been gradually clarified, their decisionmaking power expanded, and their vitality increased. Since 1985, the tighter control of the state over the issuance of loans to township and town enterprises has once caused a great impact on the development of township and town enterprises. In many areas, the production of some enterprises is still suspended or half suspended due to a lack of funds. Many projects cannot be started due to a shortage of funds. Under such a condition, the masses of all localities have raised funds on their own to establish enterprises and formed many new types of joint-stock cooperative enterprises, thus accelerating the progress of the cooperative transformation of township and town enterprises.

Strategies and Countermeasures

Many problems that need earnest solutions have arisen in the course of the development of township and town enterprises. For instance, technological transformation and technological progress are slow; supply and marketing channels are constantly clogged; no scientific and technological information system is available to serve township and town enterprises; the management system is imperfect; some industries in some regions have increased too fast and exceeded the bearing capacity of natural resources; few farm and sideline products have had thorough processing and there are such phenomena as pollution and excessive use of farmland. At the same time, township and town enterprises are facing the reform of urban and rural economic systems and the challenge of the new technological revolution. Under such circumstances, we think that the general guiding ideology should be: Carry out readjustment and reform in accordance with the characteristics, face the challange, solve the problems, seize the opportunity and bring about sound development.

1. Combine agriculture and industry and combine urban and rural areas. China's township and town enterprises are infants just born out of the womb of agriculture. They have numerous links with agricultural production in regard to funding, labor, sites, land, raw materials and even labor time. Without the support of agriculture and the great development of the rural economy, township and town enterprises would have much difficulty achieving continuous and stable development. In the early 1970's when township and town enterprises had a new start, Jiangsu Province set forth the slogan of "carrying out industrial production in accordance with agricultural production and doing a good job in industrial production to bring along agricultural production." This slogan has been proved correct after being tested in the past few years. Although they should not limit their development with local materials, local processing and local sales after they are relatively developed, township and town enterprises still should consider agriculture a basis, find a foothold in rural areas and serve agricultural production because it is one of their characteristics and strong points. If township and town enterprises ignore agriculture, abandon farming to pursue industrial work or even abuse land resources because they have made some developments, the consequences would be very serious. Therefore, on the one hand, we should develop, according to local conditions, township and town enterprises in the fields of "industry, commerce, transportation, construction and services" that are beneficial to agricultural production and enable agriculture and township and town enterprises to link together in production and go forward hand in hand; on the

other hand, we should try to give priority to agricultural production in the distribution of financial resources and the use of labor and enable agricultural and township and town enterprises to merge into an organic whole in economic interests and reinforce each other. At the same time, township and town enterprises and large industrial enterprises should supplement each other. The development of the regional economy should rely on establishing and forming a multi-tier set-up for the regional economy including not only leading industries consisting of large and medium-sized back-bone enterprises but also "industrial groups" consisting of many medium-sized and small supporting enterprises. Only when each of their advantages is brought into play can we invigorate the economy. Practice has proved that whereever there are flourishing and advanced township and town enterprises (such as Jiangsu Province) there must be township and town enterprises and large and medium-sized enterprises supplementing, relying on and coordinating with each other in development. Otherwise, it is very difficult for township and town enterprises to develop.

2. Macrocontrol and microflexibility. Generally speaking, products produced by township and town enterprises are not included in the state command production plan. Do township and town enterprises need macroguidance and regulation? Some people think that because township and town enterprises are scattered everywhere and they develop spontaneously according to the supply and demand situation of the market, they have nothing to do with planning guidance and macrocontrol and it is also impossible to give guidance. We think that general macrocontrol and great microflexibility are necessary. Everybody knows that China's current pricing system is still very irrational and planned prices cannot yet objectively reflect the supply and demand situation of the market. Under this condition, if township and town enterprises rely only on the information provided by prices and plunge into something because it is lucrative, they are bound to throw their production into blindness, waste large amounts of labor, financial and material resources and find themselves following the crowd, rushing headlong into and out of things all at the same time. In the past, township and town enterprises used mainly local materials, engaged in primary processing of farm and sideline products and sold most of their products locally. But now many township and town enterprises have exceeded the scope of "three locals" and expanded their exchanges to an unprecedented scope. According to surveys, less than 10 percent of the raw materials used by township and town enterprises are included in the supply plan and slightly over 10 percent of their products are included in the sales plan. Under such a condition, failing to strengthen planning guidance and macrocontrol can cause blind production, result in losses and even disrupt the order of macroeconomic development. Therefore, we must, according to the demand of the macroeconomy, carry out overall balancing and give classified guidance while using such economic levers as tax and credit to regulate township and town enterprises. At the same time, departments concerned under the government and some social organizations should vigorously and voluntarily provide as accurate economic information as possible for township and town enterprises, formulate relevant policies, laws and regulations, coordinate economic relations between township and town enterprises and all other sectors and guide township and town enterprises to develop along a healthy path.

3. Establish the concept of "all-around development" and readjust the industrial structure. Whether the industrial structure of township and town enterprises is rational concerns the development orientation, scale, level and results of township and town enterprises as well as whether the national economy can develop in a coordinated manner. So, establishing a rational industrial structure is an important content of the development strategy of township and town enterprises.

Township and town enterprises are products of the rural economy in a certain stage of development. Their development depends on the all-around development of the rural economy. The signs of a rational industrial structure are as follows: First, the industrial structure of township and town enterprises is relatively coordinated with the national economy as a whole to provide necessary competition and mutual reinforcement; it should have the ability to absorb new technology, new products and urban industries that are transferred to and dispersed over rural areas, to supplement weak sectors of the national economy and to provide products in short supply. Second, the industrial structure of township and town enterprises should be able to bring along the development of the rural economy as a whole--namely, offer service before, during and after the process of agricultural production and force agriculture to develop toward specialization, socialization and commercialization; it should be able to provide funds for agricultural development and speed up the transformation of traditional agriculture into modern agriculture; it should be conducive to absorbing surplus labor of agriculture and increasing agricultural labor productivity; and it should be conducive to directly bringing along the development of other industries and promoting a fundamental change in the industrial structure of agriculture. As far as the internal structure of enterprises is concerned, a rational industrial structure should be able to yield good economic results, meet the needs of the market, have regional characteristics, combine high, intermediate and low level technologies and combine the efforts to develop local resources with the efforts to absorb resources from other areas.

4. Rely on science and technology in developing township and town enterprises. Leading comrades of the State Council recently pointed out that "agricultural structure cannot be reformed without developing township and town enterprises and there would be no future in developing township and town enterprises without relying on science and technology. The combination of the two makes it possible to create a new road suitable for China's national conditions. Therefore, we should consider it a long-term basic policy and hold on to it. We are bound to find some unexpectedly good results." In our opinion, first of all, medium-sized and small cities and township and town enterprises should develop "short, level and speedy" projects which closely combine science and technology with the economy and can be used as an example or an object of publicity. Namely, they are technological development projects requiring only a short period to transfer science and technology into commodities, involving applied science and technology that are appropriate to the technological level of medium and small enterprises and able to yield quick economic results. In other words. they are the "spark plan" set forth and implemented by the departments concerned. Second, they should extensively import useful and advanced technology to complete the technological transformation of traditional industries and other industries. Third, they should establish a flexible, effective management system and an information network. Fourth, they should accelerate exchanges between "the east and the west" and talks between "the north and the south," thereby realizing regional coordination, mutual reinforcement, common development and all-round revitalization.

12302
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EXPORT-ORIENTED ECONOMIC PATTERN FOR 3 DELTA ZONES

Beijing RENMIN RIBAO in Chinese 30 Oct 85 p 1

[Report by Fan Xiangqun [5400 0686 5028] and Guo Xianwen [6753 3759 2429]: "Adjusting the Structure of Agricultural Production According to the 'Trade-Industry-Agriculture' Pattern; Three Great Changes in the Coastal Economic Development Zones. Tendency Toward Rationalization of the Internal Structure of Agriculture; Faster Development of Agricultural and Sideline Processing Industries; 'Importing from Abroad, Linking Up With Domestic Economy' Greatly Expanded"]

[Text] Beijing, 22 Oct (XINHUA)--China's coastal economic development zones, the Zhujiang Delta, the Changjiang Delta and the Minnan [South Fujian] Delta, are implementing the "trade-industry-agriculture" principle, and gratifying changes are taking place in the structure of agricultural production. Technologically advanced processing industries for agricultural products are vigorously developing, and many famous and high-quality products as well as local specialties, which had been in decline and retrogression for a long time, are being restored and developed. Scores of improved agricultural varieties have been imported from abroad and have been allowed to take root and find a new home in our scenic land of rivers and lakes. A new pattern of a coordinated development of agriculture, forestry, animal husbandry, sideline production and fishery is beginning to emerge.

At the beginning of this year, the CPC Central Committee and the State Council have designated these three areas as economic development zones. It was demanded that they adjust the structure of their production according to a "trade-industry-agriculture" pattern. That means that processing of agricultural products be developed according to the needs of the export trade, that agricultural production be developed according to the needs of the agricultural products processing industry, and that advanced technologies be imported to enhance product quality, increase exports and realize larger foreign exchange revenue. For this purpose the provinces of Guangdong and Fujian have set up a coordinating organization for the development of the delta regions. The relevant provinces, prefectures and counties have drawn up basic programs for the long-range planning and development of export commodities of a foreign trade-oriented agriculture. This year the leading organs in all the various localities have strengthened macroeconomic guidance and service work for the adjustment in the structure of production in the rural areas, guiding the peasants to shift their sights from singularly targeting on production for the domestic market to targeting on production for both the domestic as well as the foreign markets. In the adjustment of the agricultural production structure of the three areas, three great changes have already taken place:

In the internal structure of agriculture there is now a tendency toward rationalization, toward diversification of products and toward the improvement of product quality. In the past, agricultural production in these three areas had basically focused on the production of grain, cotton and pigs, with little variety and of rather low quality. This year the emphasis in the readjustment at all places is on aquatic products, animal husbandry and cash crops, which have already brought about an initial change in the state of serious imbalance within agricultural production.

The development of the processing industry for agricultural and sideline products was speeded up, and raw material commodities became oriented toward processing and food preserving commodities. According to statistics for the city of Suzhou for the period of January to August this year, the output value of the agricultural and sideline processing industry grew at a faster rate than the growth rate in the value of the entire output from all township and town enterprises.

The "importation from abroad and linking up with the domestic economy" was further developed, and an export commodity base of a "trade-industry-agriculture" pattern has begun to emerge. During this year, the three areas intensified the importation of improved agricultural varieties and of advanced technologies. The provinces of Guangdong and Fujian established "separate zones for new imported agricultural varieties" on the islands along the coast, where imported improved agricultural varieties and improved types of poultry are tried out; if successful, they will be transferred to the mainland for extensive planting or breeding.

9808
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MINNAN DELTA EXCEEDS 1985 AGRICULTURAL EXPORT TARGET

Fuzhou FUJIAN RIBAO in Chinese 23 Dec 85 p 2

[Article by Chen Jinbo [7115 6855 2672] and Xue Xixing [5641 6932 2502]: "Minnan Delta Boosts Exports To Earn Foreign Exchange"]

[Text] The delta region in southern Fujian, an opened area, exports large quantities of oolong tea, canned mushrooms and fruits, native produce and animal byproducts, aquatic products, flowers, Chinese medicines and drugs, etc. From January through November, over 200 million yuan worth of goods were procured for export, which were more than the entire year's export target. Foreign exchange earnings are expected to reach $40 million. Oolong tea exports alone from the five counties and one municipality, including Anxi and Yongchun, came to 5,200 dan and fetched $8.68 million in foreign exchange. Canned mushroom and fruit exports amounted to 5,510 tons and raked in foreign exchange to the tune of $6 million.

To increase the foreign exchange income of agricultural exports, the region has gone all out to introduce superior breeds and varieties. So far they have imported Angora and New Zealand rabbits, Swiss milk goats, French, U.S., Cuban and Dutch cattle, Egyptian fei [7236] and nian [7664] fish, Indian pangolin (?) and Pacific oysters from Australia. Much attention has been paid to the development of production bases. In line with local conditions, Yongchun, for instance, has set up seven commodity production bases for fruits, tea leaves, Chinese herbal medicines, flowers, animal husbandry and fishery to provide the goods for export and earn foreign exchange.

12581
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FURTHER ADJUSTMENT OF INDUSTRIAL STRUCTURE DISCUSSED

Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 11, 1985 pp 11-14

[Article by Liu Hong [0491 3163] and Wei Liqun [7614 4409 5028]: "On the Readjustment of Industrial Structure During the "Seventh 5-Year Plan" Period"]

[Text] In order to draw up the "proposal" for the Seventh 5-year Plan, the CPC Central Committee set forth a series of new major strategic ideas, principles and policies for the economic and social development of the "Seventh 5-year Plan" period. One of the important aspects is to readjust the industrial structure more thoroughly, extensively and rationally in accordance with the demand of the development of the situation. This is an important part of gradually forming a new strategic pattern of economic construction. A successful solution to this problem is of crucial significance to the continuous, balanced and efficient growth of the national economy.

The Importance and Necessity of Further Readjusting the Industrial Structure

At present, China's economy has begun to enter a new stage of development. This is a stage in which the pattern of consumer demands will change to seek better quality and greater variety and economic growth will be achieved mainly by intensive means and by relying on scientific and technological progress. It is these new characteristics that have made the task of further readjusting the industrial structure more prominent to us.

Further readjusting the industrial structure is required first of all for the balanced all-around development of the national economy. Over a long period of time in the past, China's industrial structure was very irrational. Judged by major sectors of material production, the development of agriculture and light industry was slow and that of heavy industry was remarkably fast. Judged by internal structure of agriculture, forestry, animal husbandry, sideline production and fishing were extremely backward and the set up of agricultural production was unitary. Judged by the internal structure of industry, energy and raw material industries were extremely weak and the production front of the processing industry was overextended in comparison. Judged by the development situation of the tertiary industry, the tertiary industry lags far behind primary and secondary industries. This situation resulted in a serious dislocation of economic sectors and a prolonged phenomena of poor social and economic results. During the economic readjustment of the "Sixth 5-year Plan" period, in order to meet the need to change the disequilibrium of accumulation and consumption, we adopted effective measures to speed up the development of agriculture and the light industry and resumed a better balance among agriculture and light and heavy industries. However, we should realize that in the past few years, the problem of disequilibrium of the industrial structure of other sectors was not as acute and prominent as that of agriculture and light and heavy industries and we did not have the condition and ability to carry out overall readjustment of the industrial structure. Because of this, judged from the situation as a whole, the irrational industrial structure of other sectors has not been fundamentally improved. Now that the structure of major material production departments has become rationalized, it is necessary and possible for us to take further steps to promote the rationalization of industrial structure in a more thorough and extensive manner. Only by doing so can the national economy enter the orbit of an overall balance and steady development.

Further readjusting the industrial structure is to better meet the demands for a higher consumption level of urban and rural residents and changes in the consumption pattern. In the past few years, the income of China's rural and urban residents has increased markedly. And at present, Chinese are self-sufficient in food, clothing, grain and cotton production. Under this condition, the overwhelming majority of the people have already solved their food and clothing problems. They begin to demand consumer goods of better quality and greater variety. In food, their demand is changing from plain and simple to nutritious, convenient, sanitary and diversified food products. In clothing and appliances, their demand is changing from unitary and low-grade to new, beautiful, practical and high-grade products. In housing, they demand an increasingly larger living space. While material consumption is changing, the demand for cultural and service consumption is also increasing day by day. However, the current industrial structure, especially the production set-up of consumer goods, can no longer adapt to the trend of changes in the pattern of consumer demands. Should we fail to carry out readjustment immediately, the structural contradiction currently existing in the supply and demand situation of some commodities will become more prominent. Only when the industrial lineup is further readjusted according to the trend of changes in consumer demands and the characteristics of China's national conditions can we better satisfy the increasing demands of rural and urban residents in many fields and make it possible for economic development to fully demonstrate the purpose of socialist production.

Further readjusting the industrial structure is also required for promoting the modernization of the national economy and vigorously developing the commodity economy. The development of the modernization program and the flourishing of the commodity economy have set forth new demands on the material foundation, technological conditions, social services and management levels. One of the important respects is that we should have relatively solid basic industries such as energy and raw and semifinished materials industries, excellent transport and communications facilities and updated information network. We should also have developed science, education, and culture as well as commercial, financial, insurance, consulting and real estate services. Currently, China is very backward in these sectors. Therefore, only when we make up our mind to accelerate the development of energy, raw and semifinished materials, transport and communications industries and of the tertiary industry and promote the rationalization of the industrial structure can we effectively raise the level of modernization of the national economy and create a good environment and conditions for the vigorous development of a socialist commodity economy.

The Orientation and Substance of Further Readjusting the Industrial Structure

According to the need to develop the national economy in an all-around and balanced manner and accelerate the progress of the modernization and to keep pace with the improvement of the people's consumption level and with the changes in the pattern of consumer demands, the "proposal" points out a clear orientation and substance for further readjustment of the industrial structure in the "Seventh 5-year Plan" period and beyond. The main points can be summarized as follows:

First, continue to accelerate the all-around and steady development of agriculture. In the past few years, China has made unprecedented progress in agricultural production, but speaking as a whole, China's agricultural production level is still relatively low and neither quantity nor quality can meet the need to further develop the national economy and continue to improve the people's living standards. In the future, we still have to give agricultural development first priority in economic development, take further steps to bring about an all-around growth of agricultural production and conduct work at all levels. The first level is to do a down-to-earth job in grain production. At present, China's grain production is sufficient only at a low level. If we are to increase the grain possession level of 1 billion people by a wide margin and create better conditions for industrial development and the readjustment of the agricultural internal set-up, we must continue to maintain steady increases in grain output and never slacken our efforts. Under this prerequisite, we should vigorously develop various cash crops and invigorate the diversified economy. The second level is to speed up the development of forestry, animal husbandry, aquaculture and the breeding industry and increase their proportion in agriculture. China has vast land suitable for afforestation, grassland and water areas. It has favorable conditions for developing forestry, animal husbandry and fishing. Assuming that China's potential is tapped, there will be a great increase in these industries. The third level is to establish, according to local conditions, rural industries, transport and communications, construction, mining, and commercial and other service industries. This is an important way to give full play to China's abundant rural labor resources and invigorate the rural economy. In sum, we should accelerate the all-around development of agriculture, forestry, animal husbandry, sideline production and fishing and the comprehensive operations of agriculture, industry, commerce and transport, gradually realize the specialization, commercialization and modernization of the agricultural economy and do a better job in satisfying social demands.

Second, strive to open up the production range of the consumer goods industry. During the "Sixth 5-year Plan" period, China's consumer goods industry developed fairly fast and played an important role in stimulating the market and improving the people's living standards. However, compared with the changes in the pattern of consumer demands, the production range in this regard is still fairly narrow. Some daily necessities, especially high- and medium-grade commodities, are in short supply. From now on, while continuing to maintain a steady all-around growth, the consumer goods industry should put the emphasis of development on quality and novelty, vigorously increase the production of popular-brand and good-quality products, develop new varieties and products and establish new branches of production. Especially, it should consider food, clothing and durable consumer goods as three major points of the entire consumer goods industry and bring about greater and better developments in these branches.

Third, accelerate the development of the construction industry, especially the residential construction industry. In many foreign countries, the construction industry is very developed and a pillar of the national economy. In China, the construction industry, especially the residential construction industry, is very backward and accounts for only a very small part of the gross national product. A major cause of this phenomenon is that over a long period of time China implemented the policy of centralized construction and allocation of housing in urban and rural areas, collecting very little rent. In 1984, a working family's rent accounted only for 1.4 percent of its costs of living. This practice made the residential construction industry lose its vitality and vigor and stunted its growth for a long time. Now the state has decided to implement the policy of commercializing urban and rural housing. Experience has proved that the implementation of this reform can effectively accelerate the development of the residential construction industry and make it gradually become a major pillar of the national economy. The faster development of the residential construction industry can in turn speed up the housing construction of urban and rural areas and better meet the demand of urban and rural residents for better living conditions.

Fourth, strengthen the building of basic industries such as energy and raw and semifinished materials industries. The "proposal" sums up China's experience in the building of the energy industry and, according to the conditions of China's natural resources, points out that the development of the energy industry should focus on the power industry whereas the power industry should vigorously develop thermal and hydraulic power resources and systematically construct nuclear power stations in selective areas. The coal industry should speed up its development by tapping the potential of and revamping existing collieries and by constructing a number of new mines. The petroleum industry should step up prospecting for oil and natural gas resources, strive to increase the output of crude oil and locate more reserves by doing a good job in revamping, renovating and expanding old oilfields. The raw and semifinished materials industry should vigorously increase products in short supply, strive to raise the technological level and increase the variety and quality of products. According to these policy decisions provided by the "proposal," we should strengthen weak links such as energy and raw and semifinished materials industries while properly restricting the development of general processing industries so as to gradually coordinate the relations between basic industries and the processing industry.

Fifth, ensure that priority is given to the development of the transport and communications industries. At present, the transport and communications industries are even weaker than energy and raw and semifinished materials industries. This has not only seriously stunted the growth of the economy as a whole but also caused gross inconveniences for the people's everyday life. Therefore, transport and communications development must be considered the top priority of national economic development. This is an important link in further rationalizing and readjusting the industrial structure. In transport, we should be determined to change the past practice of overemphasizing railway construction and pay more attention to the construction of highway, water and air transporation while continuing to do a good job in railway construction. We should strive to improve the set-up of transportation, and gradually establish a comprehensive transport network. At present, we should pay special attention to doing a good job in the rational distribution of various modes of transportation and improve the efficiency and quality of transportation. At the same time, we should increase, accordingly, the means of transportation such as automobiles, locomotives, vessels and airplanes. In communications, we should concentrate on expanding the capacity of long-distance telephone services in large- and medium-sized cities, especially coastal open cities, and strengthen the development of modern means of communications such as communications and broadcast satellites.

Sixth, put the development of the tertiary industry in a prominent place. The emergence and development of the tertiary industry is an inevitable trend resulting from the further development of the social division of labor and the continuous improvement of labor productivity. It is a major characteristic of a modern economy. The development of the tertiary industry is based on the development of primary and secondary industries whereas the expansion of the tertiary industry can markedly increase the results and efficiency of the use of capital and resources, thereby effectively accelerating the development of primary and secondary industries. Because of this, vigorously developing the tertiary industry and increasing its proportion in the national economy as a whole is a strategic measure for establshing a new pattern of economic development as well as a major reform in the development of the commodity economy. To develop the tertiary industry, we should start from various fields: 1) Speed up the development of undertakings concerning science, education, culture, public health and physical education to meet the need to improve the scientific and cultural levels of the whole nation and to meet the people's need for cultural consumption; 2) speed up the development of information, consulting, financial and insurance services and services rendered before and after the production process to meet the need to develop the commodity economy and promote the modernization program; 3) speed up the development of commercial, catering and repair services and public utilities to meet the need to invigorate urban and rural markets and provide convenience in people's daily lives; 4) speed up the development of foreign trade and tourism to meet the need to open up still further to the outside world. We can foresee that once these industries and undertakings are well developed, the tertiary industry will reach a new level and the whole economic outlook will be in for a drastic change.

Policies and Measures of Further Readjusting the Industrial Structure

Further readjusting the industrial structure according to the abovementioned orientation is a fundamental strategic change in the pattern of China's economic construction. To achieve this change, we should adopt a series of major policies and measures in addition to straightening out our guiding ideology.

Readjusting investment arrangements is the most important means of further readjusting the industrial structure. Investment arrangements and the industrial lineup are interrelated and mutually constraining. The readjustment orientation of investment arrangements should be in line with that of the industrial structure whereas changes in investment arrangements have a decisive bearing on those in industrial structure. During the economic readjustment in the early 1960's and the past few years, China relied to a great extent on the readjustment of investment arrangements to correct the imbalance in the industrial structure. Through the readjustment of the past few years, investment arrangements have improved substantially, but it still has many irrational factors and cannot meet the demands of the developing situation. As far as the fixed-asset investment of the whole society is concerned, the biggest existing problem is that the weak links of the national economy and departments urgently needed to be developed lack construction funds while large amounts of funds are funneled to general construction projects and unnecessary redundant construction projects. If this situation remains unchanged, further rational readjustment of the industrial structure will encounter extremely serious difficulties. When studying the distribution of investment, we always witness such a phenomenon, that is: many departments demand that they maintain their original ratio of investment and mistake it for seeking a proportionate development. This way of thinking is improper. In fact, only by throwing away the original irrational ratio of investment and carrying out necessary readjustment according to the objective demand of the law of economic development can we really bring about a proportionate development. Because of this, during the "Seventh 5-year Plan" we must increase investment necessary for energy, transportation, communications, raw and semifinished materials and other infrastructure facilities and for the construction of basic industries. At the same time, we should properly increase investment in agriculture, the consumer goods industry and the tertiary industry to help speed up the development of these departments and ensure smooth progress for the further readjustment of the industrial structure.

Implementing correct economic policies is an effective guarantee for further readjusting industrial structure. In the readjustment of the industrial structure, we should voluntarily exercise the regulatory function of economic levers and policies. Through the means of prices, taxes, credit and state subsidies, we should encourage and support those industries and products which need to be developed rapidly and restrict the development of those production and construction projects which are not urgently needed or which are in excessive supply in society. For instance, we should, under the guidance of state plan, expand the scope of market regulation for agricultural production, further decontrol and readjust prices for farm and sideline products and accelerate the rationalization of rural industrial structure and the development of the commodity economy. In order to change the phenomenon of low energy prices, we should properly increase the prices of energy resources and gradually establish a rational energy pricing system so as to encourage the increase of energy output and the conservation of energy. For another instance, in order to speed up the development of the consumer goods industry, we should continue to give it priority in the use of foreign exchange, the supply of energy and raw and semifinished materials and transportation conditions. All economic policies and levers should be coordinated and applied in a comprehensive manner to avoid "negative regulation" so that economic policies can genuinely exercise their power in the readjustment of industrial structure.

Vigorously promoting the reform of economic system is an enormous driving force for the further readjustment of the industrial structure. The irrationality of the previous industrial structure has a lot to do with the overcentralized and stifling control of the economic management system. For instance, over a long period of time, energy and communications facilities were managed by the central government alone and used by the whole country. This situation encouraged the phenomenon of eating from the "communal pot" and dampened the enthusiasm of all fields for energy and communications construction. For still another instance, state operations were overemphasized for a long time in the development of the tertiary industry, resulting in the uniformity of ownerhsip system. From now on, we should implement the principle of allowing the central government, departments, local units, enterprises and individuals to join efforts in the development of energy, raw and semifinished materials, transportation and communications undertakings and the tertiary industry. Except for those major back-bone projects and infrastructure facilities which should be undertaken by the central government, all engineering projects should be allowed to be undertaken by local units, enterprises and individuals. At the same time, we should break the barriers between different departments, trades and regions and give full play to the enthusiasm of all sectors. We should develop various sectors of the economy and different forms of management under the prerequisite that socialist public ownership occupy the dominant position. The tertiary industry which serves the people's daily lives, in particular, should vigorously develop collective and individual economies. Except for wholesale stores and large- and medium-sized retail stores, existing state-run commercial units may be changed step-by-step to collective operations and some small stores may be contracted, rented or leased to individuals.

Further readjusting the industrial structure from a more profound and extensive angle is a complex project affecting the economy as a whole. We should, according to the objective demands of economic development, make positive and farsighted plans for the readjustment of industrial structure and, according to the possibility of national strength and the conditions of local resources, determine appropriate procedures so as to ensure that the readjustment of the industrial structure will progress in an orderly and efficient manner.

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JOURNAL DISCUSSES ENTERPRISE CONTRACT SYSTEM

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[Article by Zhou Guanwu [0719 0385 0064]: "On the Contract System"--edited by Huang Weilin [7806 0251 2651]]

[Text] The contract system is a new thing that has appeared in the reform of our country's economic structure. It is like a newly-emerging force, attracting exceptional attention. The rural system of contracted responsibilities with payment linked to output has basically changed the impoverished and backward appearance of the rural villages in our country. In the cities, the economic contract responsibility system has also begun to show its immense power. The Shoudu Steel Company was the first enterprise in the whole country to enforce the contract system. For 7 years in succession, its realized profits have averaged an annual progressive increase of 20 percent and the momentum of the increase is continuing. The consensus of opinion is: "contracting is an overall cure." To contract or not makes a great difference in the enthusiasm of the enterprise and its staff members and workers. Why is this? This article will take up certain theoretical discussions thereon.

The Contract System Is a Good Form of Realization of the System of Ownership by the Whole People

Seen from the history of the social development of mankind, since the inception of the system of social division of work and private ownership, the responsibility system has come into being. Owners are the ones who have the responsibilities; owners with no responsibilities do not exist. Under the system of individual labor, the laborer is the owner and the responsible person; hence the enthusiasm for labor is high. Under the capitalist private ownership system, the workers are no longer the owners. For this reason, the capitalists have set up in their factories a strict responsibility system according to division of work. But this responsibility system is separated from the ownership system and therefore the workers do not have any enthusiasm for labor. The capitalists first resorted to very stern control tactics, that is, "hunger discipline," to compel the workers to carry out their duties and functions. As a result, class conflict became all the more intensified. Subsequently, they tried to do something by unifying the owners and the responsibility bearers. For example, [word indistinct] are encouraged to borrow funds to buy shares, become shareholders and earn dividends. In other words, an attempt is made to make the worker entertain the notion of being masters. Naturally, the attempt is futile, because it cannot solve the capitalist's basic contradiction between the private ownership of the means of production and the social character of production.

Establishment of the socialist system eliminates class antithesis, and should therefore restore the unity of the worker and the owner. But this unification is not built on the basis of petty production and private ownership but on the basis of a large-scale production and private ownership system. On the one hand, large-scale production requires a strict responsibility system; on the other hand, this responsibility system must be manifested in the workers holding the status of owners of the means of production under the public ownership system. Under the conditions of the socialist public ownership system, unification of the owners and the responsibility holders is a far more difficult and complex problem than the abolition of the private ownership system. Enterprises under the socialist public ownership system should be owned by the whole people with the whole people bearing the responsibilities. However, speaking of each and every enterprise, it is impossible for a billion people to jointly run it or be jointly responsible for it. Hence, in the past, we adopted the form of the system of ownership by the state, letting the state organs represent the whole people to directly operate and manage the whole-people enterprises. The consequences were: 1) Regardless of the size of the state organs, they were unable to summarily and directly operate and manage the thousands and tens of thousands of enterprises, frequently ending with a superstitious faith in power and in administrative tactics, with nobody bearing any responsibility for bureaucractism and blind direction; and 2) following the unified operation by the state, enterprises could not become economic entities and the enterprises and staff members and workers could not be responsible for the whole people. Thus, it naturally happened that though owned by the whole people, the whole people were not responsible and did not become the real owners, that the ownership system was separated from the responsibility system, and that the system of ownership by the whole people has not been truly realized.

The strength of the contract system lies in its ability, under the conditions of the socialist public ownership system, to unify the ownership system and the responsibility system, and to achieve the objectives of ownership by the whole people and responsibility by the whole people. According to the viewpoints of Marxism, the ownership system is not an isolated relationship but is manifested through the various links or stages of production, exchange, distribution and consumption. The belief that once the means of production are owned by the state, the system of ownership by the whole people has been realized obviously cannot stand. The various links of production, exchange, distribution and consumption all take the enterprise as the starting point and are mainly carried out between the enterprises. Moreover, the worker class, congregated in the enterprises, constitutes the principal element of the system of ownership by the whole people, being both workers and owners; means of production as objective factors of the system of ownership by the whole people also exist in the enterprises. Hence, the nature of the system of ownership of the means of production by the whole people should be manifested in the enterprises and not in the state organs located far away from the material production areas. This requires that by means of the contract system each and every enterprise owned by the whole people should become responsible to the whole people, that in the enterprises the whole-people ownership system and the responsibility system be unified, and that the system of ownership by the whole people be truly realized. If the system of ownership by the whole people and the responsibility system are not unified in the enterprises, then the enterprises may not be responsible for creating wealth for the whole people. In such a case, what is left of the system of ownership by the whole people is only significant in the science of law and economically of no actual value.

Reform of the economic structure begins with enlarging the decisionmaking power of the enterprises and this brings up the question of how to unify the enterprise to bear the responsibilities to society in the capacity of commodity producers. The enterprise not only contracts for delivery of profits and taxes to the state but also, in respect of the material wealth belonging to whole people but kept in its possession, contracts for the increase in value, improvement in benefits and development in production. For its part, the enterprise must continuously seek increasing interests for society before it can correspondingly increase its interests. Conversely if the enterprises does not bear responsibilities to society, then it will not have any interests of its own. Thus, on the basis of the principle of material interests, the system of ownership by the whole people and the responsibility system are united.

Under the conditions of a socialist commodity economy, it is necessary to carry out distribution according to work. Under the conditions of a commodity economy, the labor of the workers is not directly manifested as social labor. It can only be recognized by society through being the concrete labor of enterprise workers, who turn out products and subsequently pass through the process of commodity exchange.

Enforcing the contract system provides an enterprise with the possibility of making maximum efforts to create more and to retain more. On this basis, the income of the staff members and workers is linked to the benefits of the enterprise. Following this, through contracting level by level inside the enterprise down to the individual, distribution according to work is carried out according to each and every staff member's or worker's contributions to the gross benefits of the entity. This naturally will encourage the broad masses of staff members and workers to labor to the fullest capacity. By so doing, the members and workers of an enterprise, simultaneously with taking up the responsibilities of masters of the house can also earn the master's benefits, and, through the practice of distribution according to work the owners and persons bearing the responsibilities are united.

Summing up the above, at the current stage of socialism, it is necessary to insist on the system of ownership by the whole people as the principal factor and to greatly develop commodity economy. At the same time, we must seriously carry out distribution according to work. How to handle these tri-party relations well is a problem that must be solved in reforming the economic structure. Enforcing the contract system can join together the system of ownership by the whole people and the responsibility system, enabling the enterprise, in the capacity of a commodity producer, to take up the responsibility to the whole people, enforce distribution according to work on the basis of the large or small contributions made by the enterprise's staff members and workers to the whole people, and enable the socialist system of ownership by the whole people to display in full its superiorities.

The Contract System Is a New Development of the Responsibility System

The contract system enforced by the enterprises has two aspects. One is that the enterprise contracts the responsibility to the whole people; the other is that under the precondition of contracting by the enterprise itself, inside the enterprise a contract responsibility system is also in operation involving the various specialized departments layer by layer down to the individual worker. This in effect realizes the integration of the system of ownership by the whole people and the responsibility system. This is a new type of responsibility system and represents contracting to the whole people through the enterprise's staff members and workers being organized in coordinated labor. It is on the one hand the realization of the system of ownership by the whole people and is also a requirement for division of work and cooperation in large-scale production. This type of contract system which is related to the socialist system of ownership by the whole people is a new development of the responsibility system. It makes each and every staff member and worker an owner and also one who bears the responsibilities, truly the master of society and the enterprise. In content and form, this type of contract system shows clearly the following special features:

First, it must include contracting for the annual growth of the economic benefits. The responsibilities borne by enterprises under the system of ownership by the whole people are centrally manifested, on the basis of growth in the output volume, quality improvement and expansion of varieties, in the continuous growth of realized profits. Enterprises owned by the whole people carry out production by possessing and using the means of production of the whole people. Since the production process is the process of increasing the value of capital funds, naturally the enterprise must bear the social responsibility for the increment in value of the capital funds and if there is no value-increment in capital funds then the enterprise has not performed its duty.

Here, a precondition must be mentioned, that in regard to the distribution of benefits between the enterprises and the state and the enterprise's delivery tasks to the treasury, first the contracting must be air-tight and, second, it must envisage progressive increases year by year, the enterprise being allowed to retain more in the event of a larger surplus, to make accumulations by itself, and to use the accumulations for purposes of self-transformation and self-development. By so doing, the enterprise will not confine its efforts to barely fulfilling the delivery tasks to the treasury but will do its best to increase the surplus so as to retain more, to step up the value-increment of the funds, and to fulfill its responsibilities to society. For example, the Shoudu steel plant, after contracting for an annual progressive increase of 7.2 percent in delivery of profits to the state, used the 398 million yuan of surplus retention funds from surplus profits to undertake the technological transformation of 74 major projects and obtained 764 million yuan of benefits. For 7 years in succession, its realized profits have averaged an annual progressive increase of 20 percent. The realized profits in 1985 were equal to 312 percent of those in 1978 before the reform. If profit deliveries to the state are not contracted for in an air-tight manner and do not increase progressively each year and if the enterprise's funds must be delivered to the state at a fixed radio regardless of the extent of their increment, then little can be retained by the enterprise no matter how much profit it has earned and it will be lacking in motive force. On the other hand, it may not suffer much loss on account of not having created much but in such a case the force of pressure will be lacking. In neither case will the enterprise be able to achieve a sustained growth in economic benefits.

Second, the contents of the contract must be comprehensive. Enterprises of the whole people must bear an overall responsibility for the interests of the whole people. Hence, in the contents of the contract, in addition to providing for increasing the value of the funds, it must include contracting for the following: output quantity and quality of the products must be suited to society's daily increasing needs; the resources must be fully and rationally utilized; environmental pollution must be effectively removed; the quality of the material and cultural lives of its contingent of staff members and workers must be continuously improved, and so on and so forth. These contents of the contract must be fully implemented by means of an internal contract system in the enterprise. The targets contracted for internally in the enterprise must form an integrated structure, because the relationships between the various production, technological, and economic targets criss-cross with each other and are exceedingly complex and full of contradictions. In making the plan for the contract-guarantee-audit structure, it is necessary to consider and comprehend all sides, weigh the advantages and disadvantages, and unify the contradictions with due consideration for the total benefits of the enterprise. It is true that contracting for single or unilateral targets and giving prominence to one or two targets may attain quicker results, but this may frequently damage overall benefits. In reality, this has not contracted for the responsibilities in their entirety. Some targets possess social benefits and environmental benefits but not necessarily economic benefits to the enterprise, such as treatment of dust and noise, purification of po-luted water and the rotating utilization of water, comprehensive use of waste materials, treatment of harmful gases, and so forth. In handling them, the enterprise may expend a great deal of effort but can obtain little or even negative benefits. Nevertheless, they must be provided for in the contract, since only by so doing can the enterprise be said to have been truly responsible to the whole people. Following an enterprise's enforcement of the contract system, improvement of the material and cultural lives of the staff members and workers, instead of being contracted for by the state as in the past, will be completely dependent on the staff members' and workers' own creative efforts. By so doing, the development of production and improvement of living are organically integrated, making contracting for the improved living of the staff members and workers become the material motive force for developing production.

Third, the contract targets must manifest the integration of targets for the recent period with long-range development. Since the reform, the enterprises have shown a more or less universal tendency of caring for interests of the recent period and overlooking long-range development. This is extremely harmful to economic construction. The cause does not lie in the enterprises themselves, in that without being allowed to do the contracting, the enterprises have no way to bear the responsibilities of a long-range development vis-a-vis the whole people. Since the contract system provides for an annual increment in the value of the capital funds and also for all-round responsibilities to the whole people, it will make the enterprises combine the interests for the recent period with long-range development and plan for their own future. In reality, the realization of the near-term targets is frequently inseparable from the past long-term efforts. In particular, certain important transformation measures, from their beginning to entering into production, must pass through a definite sequence. Without a long-term plan, the economic benefits of an enterprise cannot achieve a sustained development and growth. Hence, level-by-level contracting inside an enterprise must include, on the one hand, contracting for the fighting targets for the current year and, on the other hand, the work to be done during the year for the realization of the long-range targets. Only by so doing will it be possible to make the staff members and workers perceive their own favorable prospects in their enterprises' long-range development, thereby stimulating them, at their respective posts, to display their hard-fighting labor enthusiasm in implementing the long-range plans.

Fourth, the contract must not be confined to the economic and technological targets alone but must also include business management. Any economic and technological target, from its compilation, execution, and inspection to eventual checking and assessment, is inseparable from the protection and assurances of business management. If there is only contracting for targets but no contracting for business management, the targets can hardly be realized. The contents of the contracting for business management include, for each and every business project, its standards, responsibility, procedure, cooperation and checking and assessment. Moreover, these contents must be continuous and must advance with the continuous growth of the enterprises' benefits. In the case of the Shoudu Steel Plant, its management modernization program started with the establishment of a contract system for specialized management and each and every specialized management project must be contracted for in accordance with the requirements for "comprehensiveness" (overall), "altitude" (high standard), "timeliness" (time limit), "cooperation" (cooperating in work) and "assessment" (checking). This is subsequently followed up, through adherence to the prescribed procedure of the contract system for specialized management, by planning of a large amount of management software so as to facilitate the swift development of the use of the computer in management, thus initiatively setting up a computerized management network.

Fifth, the staff members and workers in their entirety constitute the main body of the contract. Socialist construction is an enterprise belonging to the millions of people themselves. Contracting by an enterprise is tantamount to all the staff members and workers of the enterprise, in their capacity of collective masters, contracting for the functions that must be performed and the responsibilities that must be borne to society and to the whole people. We must not confuse the contract system of an enterprise with the contract system involving only the plant director as an individual. The staff members and workers of an enterprise run the enterprise and the enterprise is not run by the plant director alone. All the staff members and workers are unanimous in responsibility, obligations, targets and interests and the plant director is only one of the staff members. It is not proper for the plant director to take sole charge of a contract. The contract system enforced by the Shoudu Steel

Plant is precisely a contract by the entire group of staff members and workers and the basic method adopted is, through contracting, ensuring and assessing, to organize scientifically and effectively the initiative and creativeness of the entire body of staff members and workers as masters of the house, thus jointly realizing contracting to the whole people.

In the final analysis, the above-mentioned special features of the contract system are the unification, according to the principle of the integration of current and long-range interests, of the interests of the three parties, namely, the state, the enterprise, and the staff members and workers. A contract system of this type embodies an internal mechanism which is full of vitality. In the case of the Shoudu Steel Plant, it is principally reflected in certain quantitative relationships as follows: profit-delivery to the state progressively increasing by 7.2 percent a year; realized profits progressively increasing by 20 percent a year; distribution and utilization of the production development fund, collective welfare fund and wages, award and commendation fund at the ratio of "6-2-2"; and the gross amount of staff salaries and wages being linked to the realized profits and floating at the ratio of 0.8 to 1. Within this series of figures a close relationship and a dialectical relationship of reciprocal promotion and reciprocal restriction exist. For example, only when contracting is air-tight and calling for an annual progressive increase of "7.2 percent" is there enthusiasm for a progressive growth of "20 percent"; only when there is this "20 percent" increase can the growth of "7.2 percent" be ensured and can there be corresponding increases in the three categories of funds at the ratio of "6-2-2"; only when 6-10ths of the retained profits are used on production development can there be assurance for maintaining the sustained and progressive rate of "20 percent"; and only when there are figures of "0.8 to 1" can the staff be made to vie with each other in making contributions to the growth of "20 percent." Naturally, these numbers are not fixed or unchangeable. Following the development of the enterprises, some of the figures must be readjusted but the internal mechanism formed by the reciprocal relationships between them will forever exist. It will enable the enterprises to go ahead at full power to actively create high benefits; it makes possible the reliance on technological transformation and technological progress to continuously create new benefits; and it integrates the enterprises' short-term interests with long-range development, thereby creating sustained high benefits. And the high benefits are the joint product of the whole body of staff members and workers, consciously and of their own accord.

All three parties, namely, the state, the enterprise, and the staff members and workers are confronted with the problem of how to do a good job in handling the relationship between current interests and long-range interests. If the job is not handled well by any one of the parties concerned, the internal mechanism of the contract system may be damaged or wrecked. If the state does not allow the enterprises to retain that portion in excess of the "7.2 percent," then the state may not be able to obtain the "7.2 percent" for long; indeed, if the state cares only for obtaining more for the present and taps the enterprises too depply and too hard, the long-range interests of the state will suffer losses. For their part, the enterprises should do a good job in handling the relationship between accumulation and consumption so as to maintain reserve strength for their development. If the number "6" is missing in the ratio "6-2-2," then the absolute amounts of the next two numbers of "2" and "2" will become increasingly smaller. So far as the staff members and workers are concerned, without the current interests and being unable to procure more for more work, they can hardly see the long-range interests ahead and there will be no way to arouse their labor enthusiasm; and without a planned target which can ensure maintenance of the long-range interests of the staff members and workers, their enthusiasm for labor cannot be sustained.

The contract system's internal mechanism which is full of vitality enables enterprise management to manifest, on the one hand, the objective demands of large-scale production, and, on the other, the essence and special features of socialist production relations. This generated enthusiasm of the workers in their capacity as masters of the house, through the scientific organization of the three basic methods of contracting, ensuring, and assessing, has organized in the enterprises each and every person, each and every piece of work, each and every business project and each and every type of activity to form an organic fighting force which will march forward with unanimity in thought, in direction, in action and in steps. This marks the essential difference between our socialist management of enterprises and the capitalist management of enterprises. It clearly shows wherein the superiority of the socialist system lies.

The Contract System Is the Basic System of Socialist Management

The socialist contract system is not only the basic method for organizing joint labor in socialized large-scale production but should also become the basic system of socialist management.

At present, if we wish to greatly develop socialist commodity economy, the central link is to invigorate the enterprises which are the producers of commodities. However, at the moment the great majority of the large and medium-sized enterprises under the system of ownership by the whole people have not been truly invigorated. Some comrades have expressed the fear that once the enterprises have been invigorated, they may one-sidely seek partial interests for themselves and disregard the interests of the whole. This is without any foundation. But without the invigoration of the large and medium-sized enterprises which are the backbone units, it will be greatly disadvantageous to the development of the national economy. How is it possible to make the large and medium-sized enterprises display the vitality of commodity producers and at the same time be responsible for the whole people? In my opinion, the contract system is the solution. It can solve the new problems encountered in the course of our reform of the economic structure.

After an enterprise has taken up a contract, as an independetn commodity producer, its responsibility to the whole people is not the former type of administrative responsibility it bore to the state organs but is truly an economic responsibility. In the past, enterprises were responsible only to the state organs in charge whereas the state organs could not, because of the ever-changing social demands, regulate the business operation activities of the thousands upon thousands of enterprises. This frequently resulted in the enterprises' production activities being out of joint with social needs and caused the enterprises to be truly unable to be responsible to the whole people. Following enforcement of the contract system, the economic responsibilities the enterprises bear to the whole people will be closely linked to the enterprises and to the intimate material interests of the staff members and workers themselves. This will naturally motivate the staff members to watch their own interests and make them actively interested in, and suited to, the social needs and, in accordance with the demands of coordinating and developing the national economy, shape their enterprises' policies, readjust the structure of the products and the direction of their investments, open up new production areas in pursuance of social needs, and continuously create more wealth for the state.

To truly accomplish the objectives of ownership by the whole people and being responsible to the whole people, we should not require the enterprise alone to contract with society and with the whole people. Rather, state organs at the upper levels should likewise contract with the whole people. State organs are the public servants of society and not its masters. We must avoid the idea that only the state organs can represent the whole people. State organs and enterprises are both parts of the whole people, except that there is a difference in the social division of work. We cannot conceive that enterprises constitute the part whereas state organs are the whole. As a matter of fact, state organs are also divided by departments and/or regions. The various departments of state organs should also be responsible to the whole people and contract for duties and functions in accordance with the assignments of the division of work. State organs should also enforce the contract system, bearing the economic responsibilities to the whole people, the enterprises, and society and realize the integration of power, responsibility, and benefit. This is an effective measure to prevent and overcome subjectivism, bureaucratism, and issuing commands blindly. It is also a great and important reform of the work of state organs. In the whole country, each and every unit, each and every department, each and every enterprise, and each and every individual should enforce contracting with the whole people and form a society-wide contracting structure. The contract system will thus become a basic system in socialist management.

In summing up the experiences of the Paris Communes, Marx and Engels conceived thus of future society: "Not only should this type of organization take as its basis the union of workers of each and every factory but also all these unions should form a big alliance" ("Collected Works of Marx and Engels," Vol 22, p 226). The relationship between these individual united bodies and between them and the big union is that of union. Under the conditions of a commodity economy, a union of this kind should not be realized by means of the state adopting administrative tactics of a compulsory nature but should be realized, through contracting, by means of the coexistence and regulated development of the interests of the three parties, namely, the state, collective and individual. By so doing, outwardly the state's power over the management and control of the economy may seem to have been curbed but, due to the state being diverted from the large volume of daily economic affairs and being able now to concentrate energy and efforts on dealing with the big and important issues of the whole situation, the leadership role of the upper layers of the structure over society as a whole will be greatly augmented. Therefore, on the foundation of continuously strengthening ideological and political work and under the conditions of a commodity economy, the formation in the whole society of a contract structure will be an experiment in, and promotion of, efforts to realize the concept of future society envisaged by the originators of Marxism.

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PROVISIONAL REGULATIONS ON TAXATION PROMULGATED

OW041021 Beijing XINHUA Domestic Service in Chinese 0106 GMT 2 May 86

[Text] Beijing, 2 May (XINHUA)--Provisional Regulations on the Management of Taxation of the People's Republic of China (Promulgated by the State Council on 21 April 1986)

Chapter I. General Principles

Article 1. These regulations are formulated to ensure implementation of state decrees and policies on taxation, strengthen the management of taxation, guarantee the state's financial revenues, maximize the role of taxation as a leverage for regulating the economy, and promote reform of the economic system and coordinated development of the national economy.

Article 2. The collection of all types of tax under the auspices of tax authorities, with the exception of those specified elsewhere in the state law, should be administered according to the provisions in these regulations.

Units and individuals who are obliged to pay taxes (hereinafter referred to as taxpayers), and units and individuals who are obliged to collect, withhold, and pay taxes on another's behalf (hereinafter referred to as collecting agents), should follow the stipulations in the tax decrees and fulfill their obligations as taxpayers or as agents for collecting, withholding, and paying taxes.

Article 3. The collection and deduction of all taxes should be administered according to the provisions in the tax decrees and the system of management for taxation. No localities, departments, units or individuals are allowed to make decisions contradicting the stipulations in the existing tax decrees and taxation management system in any form.

Article 4. Any unit or individual has the right to report and expose activities violating tax decrees. Tax authorities should undertake to maintain the confidentiality of, and give rewards to, the informers in accordance with stipulations.

Article 5. Tax authorities are responsible for organizing efforts to implement these regulations.

Chapter II. Tax Registration

Article 6. Taxpayers engaged in production and business operation, who practice independent accounting, and whose operations have been approved by the administrative office of industry and commerce should, within 30 days after receiving their business licenses, report to the local tax authorities and go through tax registration.

All other units and individuals obliged to pay taxes, with the exception of those exempted from tax registration by the tax authorities, should report to the local tax authorities and go through tax registration within 30 days from the day they become legal taxpayers, as stipulated by tax decree.

Article 7. A taxpayer's branch office, which operates across several localities and does not practice independent accounting, should report to the tax authorities on where the office is located and go through registration within 30 days after its establishment.

Article 8. When going through tax registration, the taxpayer should submit a report for the application of registration, the pertinent approval documents, as well as other related certificates.

After examining and verifying the report, documents, and certificates mentioned in the preceding paragraph, the competent tax authorities will process registration and issue a tax registration certificate.

The tax registration certificate is limited to use by the taxpayer. It may not be loaned or transferred.

The following will be recorded during tax registration: Taxpayer's name and address, the form of ownership, the hierarchical relationship, the mode and scope of operation, as well as other related matters.

Article 9. After the taxpayer has completed tax registration, if it becomes necessary to modify tax registration because of transfer to other trades; reorganization; establishment of a branch office; mergers and joint operations with other businesses; relocation, suspension, or closing down of business; or bankruptcy, the taxpayer should report to the competent tax authorities and go through modification of registration, re-registration, or de-registration within 30 days after the day of approval or declaration by the departments concerned.

Article 10. Prior to going through modification of registration, re-registration, or de-registration, if the taxpayer has taxes to be settled or invoices to be turned in and cancelled as required by regulation, he should settle matters with the competent tax authorities, and turn in the invoices and related certificates issued by the tax authorities for cancellation.

Chapter III. Tax Assessment

Article 11. In accordance with the provisions stipulated in Article 6 of the provisional regulations, taxpayers applying for tax registration must apply for tax assessment with the competent authorities. According to specific conditions, the taxpayers must truthfully fill out the tax assessment forms regarding form of ownership, mode and scope of operation, titles, functions, and uses of products, as well as receipts, income, and other taxable items.

Article 12. The competent tax authorities must examine the taxpayers' tax assessment forms according to law, determine the appropriate tax categories, tax items, tax rates (or per-unit tax amount), taxation links, the basis for tax computation, the time limit for tax payment, and the mode of collection, and issue tax assessment certificates accordingly.

Article 13. The competent tax authorities must issue the collecting agents, according to law, vouchers to collect, withhold, and pay taxes. The vouchers should clearly state the appropriate tax categories, tax items, tax rates, the time limit for payment, and the mode of payment.

Article 14. In case of changes in the tax assessment items, the taxpayers must apply for modification of the tax assessment forms with the competent tax authorities within 15 days starting from end date of change.

The taxpayers must submit samples of new products, along with product appraisal forms, to the competent tax authorities for tax assessment. The samples shall be returned to the taxpayers after completion of tax assessment. In case of difficulties in delivering the product samples to the tax authorities for assessment, the taxpayers must apply for assessment in the factory.

Article 15. Upon promulgation of new tax regulations, or revision of old tax regulations by the state, the competent tax authorities must notify the taxpayers and collecting agents to follow accordingly, and revise the tax assessment certificates and vouchers for the collection, withholding and payment of taxes.

Chapter IV. Filing of Tax Returns

Article 16. In accordance with relevant provisions governing the filing of tax returns, the taxpayers must submit tax returns, financial and accounting reports, and pertinent tax information to the competent tax authorities. The collecting agents must go through the filing procedures for the collection, withholding, and payment of taxes in accordance with relevant positions.

The tax authorities shall decide on the time for the filing of tax returns by the taxpayers and the time for the collection, withholding, and payment of taxes by the collecting agents in accordance with the tax decrees and the specific conditions of the taxpayers and the collecting agents.

Article 17. In case of failure to submit tax returns within the prescribed time limit owing to special circumstances, the taxpayers should report to the competent tax authorities, and the filing of tax returns may be appropriately extended. In light of the circumstances, the competent tax authorities may make a provisional appraisal of the taxable amount in advance, and notify the taxpayers to make advance tax payments, pending final settlement of accounts upon filing of tax returns.

In case of failure to collect, withhold, or pay taxes within the prescribed time limit owing to special circumstances, the collecting agents should report to the competent tax authorities, and the collection, withholding, and payment of taxes may be appropriately extended.

Article 18. In case of failure by the taxpayers to submit tax returns to the authorities 30 days beyond tax payment obligations or 15 days beyond the time limit prescribed by the tax authorities are empowered to decide on the taxable amount and prescribe a time limit for payment.

The final day of the time limit for filing tax returns and that for tax payment may be extended if it falls on an official holiday or other holidays.

Article 19. To apply for tax reduction or exemption, the taxpayers must submit a written report to the competent tax authorities. Prior to approval of application for tax reduction or exemption, taxpayers must pay taxes in accordance with the regulations.

Chapter V. Collection of Taxes

Article 20. The method of tax collection is specified by the tax authorities in accordance with the tax laws, and by taking into consideraton the taxpayers' production and business operations, and their level of financial management. The method used should make tax-collecting a readily manageable job. Among the major methods are: Tax collection based on audits, inspections, and verifications; collecting taxes in fixed amounts at regular intervals; and collecting, withholding, and paying taxes on another's behalf.

Article 21. The management of tax collection may take the following forms: stationing tax personnel in factories or in different trades and areas to oversee the work; or assigning a roving group for this purpose. The tax authorities will specify the methods of managing tax collection. The taxpayer's supervisory organs, as well as the trade and neighborhood organizations to which he belongs should coordinate their efforts and help the tax authorities properly manage the work of tax collection.

Article 22. Collecting agents should fulfill their obligation in collecting, withholding, and paying taxes on another's behalf, and go through the respective procedures in accordance with the provisions of the tax laws, as well as the rules specified in the certificates for collecting agents. The tax authorities should pay a service charge to collecting agents as required by regulations.

Article 23. The tax authorities have the right to inspect, verify, and register the taxpayer's goods and taxable properties.

Article 24. The competent tax authorities may require taxpayers engaged in temporary business operations to assign a guarantor for tax purposes or to prepay the pleged money for similar purposes. They may set a time limit for settling tax payments. If the taxes are not settled within the time limit, the guarantor will be responsible for paying the taxes, or the pledge will be used to pay the taxes.

The competent tax authorities should write a receipt when receiving, in advance, the pledge in lieu of tax payment.

Article 25. A taxpayer overpaying his taxes may submit a refund request to the original tax-collecting organ within a year after the overpayment day. The overpaid portion will be refunded after the tax authorities at or above county level given their approval. The tax authorities will not handle requests made beyond the time limit.

Chapter VI. Management of Accounts, Invoices, and Certificates

Article 26. In accordance with the state's financial and accounting decrees, as well as the stipulations of the tax authorities, taxpayers should establish a sound financial and accounting system, assign personnel to handle tax payments, and maintain a complete account book, vouchers, payment records, tax payment receipts, and other tax-related documents. Individual taxpayers truly incapable of establishing account books may request the permission of the tax authorities at and above county level to temporarily put off the establishment of account books. However, they must maintain a complete set of tax-related documents such as invoices, payment records, and tax payment receipts. Collecting agents should set up special accounts as stipulated, and take good care of the records of taxes which they collect, withhold, and pay on another's behalf.

The competent tax authorities should be immediately notified if the records mentioned in the preceding paragraph are lost.

Article 27. A duplicate of the financial and accounting rules formulated by the supervisory organ of the taxpayer for their department should be delivered to the tax authorities at the corresponding level. The financial and accounting rules of the taxpayer and the method of handling his specific finance and accounts should not contradict the tax laws. If such contradiction occurs, the tax laws should be observed.

Article 28. Invoices will be managed by the tax authorities in a unified manner. Without the approval of the tax authorities at and above county level, no units or individuals are allowed to print, sell, or undertake to print invoices.

With the exception of special vouchers certified by the tax authorities, all invoices should be printed with the invoice supervision stamp of the tax authorities at and above county level.

Article 29. Taxpayers and collecting agents should preserve and use the invoices as stipulated by the tax authorities.

Article 30. The tax authorities should establish archives of tax collection for taxpayers on a household basis, take good care of these records, and make them strictly confidential.

Chapter VII. Tax Investigation

Article 31. Taxpayers and collecting agents are subjected to tax organs' supervision and inspection. They must report the situation factually and provide the relevant information and must not hold back facts, or obstruct inspection, or create difficulties for it.

Before conducting a tax investigation, a tax collector must show his tax inspection card.

Article 32. According to needs and with the approval of a provincial-level people's government, tax organs may set up joint investigation stations (units) at terminals, piers, and airports as well as other vital communications junctions with other relevant departments to check tax payment. Where there are no joint investigation stations (units), they may also operate tax investigation stations (units) singularly if it is absolutely necessary. Business administrative, public security, communications, railway, civil aviation, postal and telecommunications, and banking departments should provide them assistance.

Article 33. When a taxpayer goes to another part of the country to engage in production, operate a business, or provide personal labor service, he must bring with him the proof of tax payment issued to him by his original tax organ and register at the tax organ of the new location and receive its tax investigation.

Article 34. When a permanent business operates in an urban or country fair, it should display its tax records, or other relevant documents issued by a tax organ.

Chapter VIII. Handling of Violations

Article 35. In handling violations, tax organs must create files for all cases, verify the facts, and handle the cases according to law. They should also give written notifications to the parties concerned on how their cases are handled.

Article 36. If a taxpayer violates one of the following, in addition to being ordered to take remedial measures within a time limit, he may also be fined up to 5,000 yuan considering the circumstances:

1. Failing to make tax registration, or to register tax payment, or use his tax registration records according to regulations;

2. Failing to have his tax payments assessed according to regulations;

3. Failing to report his taxes according to regulations;

4. Failing to establish an account, or use and keep his tax payment documents.

5. Failing to provide information on tax payment according to regulations; or

6. Refusing to accept tax organs' supervision and inspection.

Article 37. Tax error, delinquency, evasion, and refusal to pay taxes shall be handled according to regulations outlined below:

1. Tax error: This refers to a taxpayer's unintentional failure to pay taxes, or pay the full amount of taxes. One who makes a tax error shall be notified by the tax organ to pay up the difference according to regulations within a time limit. If he fails to do so, an additional 0.5 percent surcharge will be imposed on the unpaid amount of taxes each day, beginning from the day the tax error is made.

2. Tax delinquency: This refers to failure of a taxpayer who, for some reason, fails to pay taxes, or the full amount of taxes, within the time limit set by the tax organ. The tax organ, in addition to ordering the tax defaulter to pay up the unpaid amount according to regulations within a time limit, will also imposed a 0.5 percent daily surcharge on the unpaid amount, beginning from the day of the delinquency.

3. Tax evasion: This refers to the conduct of a taxpayer who evades paying taxes by fraud and concealing facts. In addition to ordering the tax evader to pay the amount of the evaded taxes according to regulations within a time limit, the tax organ will also fine him up to five times the amount of the evaded taxes. The person directly responsible for the tax evasion and one who instigates, incites, or abets tax evasion may be fined up to 1,000 yuan.

4. Refusal to pay taxes: This refers to the conduct of a taxpayer who refuses to fulfill his obligations to pay taxes according to the tax law. In addition to ordering the one who refuses to pay taxes to pay the amount of unpaid taxes according to regulations within a time limit as well as imposing a fine on him five times that of the amount of unpaid taxes, the tax organ may, in accordance with the taxpayer's actual situation, impose on him an additional fine of up to 50,000 yuan. A fine of up to 1,000 yuan may also be imposed on whoever is directly responsible for the refusal and on those who instigate, cover up, or support the refusal.

Article 38. When a taxpayer fails to respond to notifications for him to pay his unpaid taxes, delinquency surcharge, and fines, the tax organ may adopt the following measures as it sees fit:

1. Officially notify his bank to deduct the amount from his account, and transfer the amount to the state treasury.

2. Revoke his tax registration and stop issuing tax payment documents to him until he pays up.

3. Request the business administrative departments to revoke his business license and suspend his operation until he pays up.

4. Request the people's court to enforce payment when the three measures mentioned above are ineffective.

Article 39. When a collecting agent violates Articles 16, 17, 22, 26, 29, and 31, he should be handled according to the regulations prescribed in Articles 36, 37 and 38 of this chapter.

Article 40. When taxpayers, collecting agents, and other parties concerned have a dispute with a tax organ over tax payment or the handling of tax violations, they should, first of all, pay the tax, delinquency surcharge, and fines according to the tax organ's decision; adn then, within a 10-day period, request a higher tax organ to reexamine the case. The higher tax organ should make a reply within 30 days after receiving the petitioner's request. Should the petitioner disagree with the reply, he may prosecute the case at the people's court within 30 days after receiving the reply.

Article 41. When a taxpayer's tax violation constitutes a crime, the tax organ should request the judicial organ to have his criminal responsibilities investigated.

Chapter IX. Supplementary Articles

Article 42. These regulations are not applicable to the income taxes of Sino-foreign joint ventures and foreign-owned enterprises, personal income tax, custom duties, and the collection and management of agricultural taxes.

Article 43. The Ministry of Finance shall be responsible for interpreting these regulations; and the people's governments of all provinces, autonomous regions, and municipalities directly under the central government shall draw up their implementation measures on the basis of these regulations.

Article 44. These regulations become effective on 1 July 1986.

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PROGRESS OF XINJIANG'S FINANCIAL UNDERTAKINGS REVIEWED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 pp 56-57

[Article by the Xinjiang Uygur Autonomous Region Branch of the People's Bank of China: "The Advancing Financial Undertakings of Xinjiang"]

[Text] This year is the 30th anniversary of the founding of Xinjiang Uygur Autonomous Region. In the past 30 years, in accordance with the party's policy of regional national autonomy, Xinjiang's financial undertakings have made great achievements in stopping inflation during the early period of the founding of the PRC, unifying monetary systems, stabilizing prices on the basis of accelerating national economic recovery and development, supporting socialist transformation, promoting national economic readjustment and developing the socialist economic construction of the autonomous region. Especially since the 3d Plenum of the 11th CPC Central Committee, Xinjiang's financial undertakings have made fresh developments.

Great Achievements

By the end of 1984, Xinjiang had established 1,542 banking organizations at all levels and 818 rural credit cooperatives with 19,568 staff and workers. In the past 30 years, under the correct leadership of party committees and government organs at all levels, all staff members and workers of banking organizations and credit cooperatives have worked hard and made contributions to developing Xinjiang's financial undertakings.

1. They have vigorously organized deposits to pool large amounts of production funds for developing the economic construction of the autonomous region. At the end of 1984, the balance of all deposits reached 8.39 billion yuan, an increase of 27-fold over 1955, of which, savings deposits increased fortyfold pooling large amounts of production funds for Xinjiang's economic development. The people's savings deposits of Xinjiang accounted for 33 percent of all deposits.

2. They have vigorously issued rural and animal husbandry loans to support agricultural and animal husbandry production and the development of the commodity economy in rural and pastoral areas. In the past few years, along with the development of the reform of the rural economic structure, banks and credit cooperatives have changed from simply supporting agricultural and

animal husbandry production to supporting major projects of agriculture, forestry, animal husbandry, sideline production, fishing, industry, commerce, transport, service and various other industries as well as the all-around development of township enterprises. By the end of 1984, the balance of various agricultural and animal husbandry loans issued by all banks and credit cooperatives in Xinjiang reached 870 billion yuan, an increase of 22-fold over 1955.

3. They have strengthened control over circulating funds and accelerated the development of industrial production and the continuous expansion of commodity circulation. In the past 30 years, industrial loans issued by various banks in Xinjiang have increased 28.3-fold and commercial loans, 7.3-fold. Since the 3d Plenum of the 11th CPC Central Committee, they have further increased loans to the collective and individual sectors of the economy and promoted the development of the tertiary industry. In the past few years, banks have implemented the principle of "dealing with each case on its merits and supporting those whith outstanding qualities" in credit work, and strengthened the function of the interest lever. In accordance with the decision of the State Council, they have also put the circulating funds of state-run enterprises under the unified control of banks and thereby effectively promoted the rational use of enterprises' circulating funds, speeded up capital turnover and improved administration and management.

4. They began in 1979 to issue loans for fixed assets to promote the development and construction of the autonomous region and the technological progress of enterprises. By the end of 1984, the balance of various fixed-asset loans issued by banks had reached 56.089 million yuan.

5. They have adapted to the policy of opening to the outside world and expanded international financial business. The Urumqi Branch of the Bank of China was established after the 3d Plenum of the 11th CPC Central Committee. In addition to handling deposits, loans and account settlements in foreign currencies and renminbi, this branch has also dealt with international trust businesses and established representative business relations with 374 banks and their branches in 72 countries and areas. Comparing 1984 with 1980, its foreign exchange earnings increased 6.24-fold, its foreign trade loans, 3-fold and its foreign exchange loans, 1.68-fold.

6. They have reformed the control system of capital construction investment and increased economic results. In the past 30 years, construction banks in Xinjiang have provided 21.54 billion yuan in capital construction funds in the forms of appropriations, loans and commissions, which helped build 17,948 investment projects and added 14.64 billion yuan of fixed assets.

7. They have developed insurance business and established an economic compensation system. At present as many as 23 kinds of domestic insurance are available in the region and the total value of insured properties has reached 3.99 billion yuan. Also available are four kinds of foreign insurance. This has ensured the stability of society and the people's living standards and reduced the financial burden on the state.

8. They have stabilized currency and commodity prices and created a good economic environment for Xinjiang's economic construction. They have, on the one hand, supplied currency for continuously expanding commodity production and circulation and, on the other hand, used credit to vigorously support commercial departments in expanding the market supply of readily marketable commodities, organized savings deposits in urban areas and towns, strengthened cash control and organized the withdrawal of currency from circulation. They have also conducted on a regular basis, typical investigations of the currency circulation situation on the market. Since the founding of the autonomous region, Xinjiang's currency circulation has been basically normal and its market prices stable.

9. They have reformed the banking system and established a new socialist financial system with the Bank of China as its core and various specialized banks and insurance companies as its main body.

10. They have trained many minority cadres to take care of financial work, established a contingent of financial experts to serve the masses and, in particular, trained a group of minority financial cadres who have special knowledge in finance and the ability to establish close relations with the masses. At present, 34 percent of Xinjiang's financial workers and 32.8 percent of leading cadres at and above the level of county branches are minorities.

Useful Experience

In the past 30 years we have gained the following experiences in financial work:

1. We must deeply understand the position and function of banks in the national economy. Banks are an important sector of the national economy. They accelerate national economic development by giving full play to the functions of economic levers. There have been three periods in the past 30 years in which the functions of economic levers were put to better use: 1) The period of socialist transformation, which helped establish the socialist ownership system in the autonomous region; 2) the economic readjustment period of the 1960's; and 3) the new period between the 3d Plenum of the 11th CPC Central Committee and now. The main reason why the functions of banks were put to better use during these three periods is that banks were considered as levers in developing and readjusting the national economy and the regulatory mechanisms of banks were brought into play. Otherwise, if banks were considered only as a general cashier, their functions would not have been brought into full play. During the 5-year period of 1980 to 1984, the budget revenue of the autonomous region totalled 2.28 billion yuan while banks' savings deposits increased 3.96 billion yuan, equivalent to 1.73-times financial revenue. When deposits increase, banks would have more funds available to aid the economic construction of the autonomous region. To sum up 30 years of experience, we should further deepen our understanding of the position and function of banks in the national economy, voluntarily do a good job in banking work and make more contributions to accelerating the economic development of the autonomous region.

2. To do a good job in Xinjiang's financial work, we must carefully consider the actual conditions of the Xinjiang area. Xinjiang is located on the northwestern border of the motherland and exercises regional national autonomy. It has abundant natural resources, which urgently need to be developed, and a vast territory with relatively backward transport facilities. Its economic foundation is weak, production technology and managerial level are backward, its enterprise economic results are poor and its ability to accumulate funds is limited. In addition, its local financial resources are insufficient and it relies on huge amounts of state financial subsidies. In our work, we have always paid attention to taking into account these characteristics of Xinjiang and put supporting Xinjiang's development and construction before all other work. In credit work, we have paid attention to implementing the principle of suiting measures to local conditions, proceeded from actual conditions of Xinjiang's enterprises and, under the prerequisite of adhering to various basic credit principles, properly relaxed policies to increase enterprises' ability to compete. We have also paid great attention to supporting the production of special national commodities and the development of national trade.

3. We must have a currency policy that can meet the demands of economic development. Over 30 years of practice prove that the currency circulation situation must be in line with the commodity supply and demand situation on the market. We should not proceed one-sidedly from supporting economic development, and inappropriately expand the scale of credit and excessively issue currency. Banks' currency policy must be based on the dual-purpose of developing the economy and stabilizing currency. Excessive money supply is often related to the extended scale of capital construction investment and the abrupt increase of consumption funds. Therefore, banks must also pay attention to preventing the increase of money supply resulting from a loss of control over capital construction scale and consumption funds.

4. We must further reform the financial structure and perfect the socialist banking system. Since it began to exercise the special functions of a central bank, the autonomous regional branch of the people's bank has intensified macroeconomic investigations and studies and strengthened control over the money market. Moreover, beginning in 1985, it has reformed the control system of credit funds for specialized banks and achieved preliminary success in overcoming such defects as the supply system in the control of funds and the practice of "eating from the communal pot." All this is favorable for the central bank to give better play to the function of macrocontrol. After having formed a system of their own and separating their funds from those of the people's bank, specialized banks have strengthened vertical regulation and horizontal circulation of funds and brought into play their enthusiasm for making their own decisions in management and doing a good job in the control and use of funds. Neverthless, many things are not yet perfect. Judged from the situation of the autonomous region, the relations between the people's bank and specialized banks need to be smoothed out still further and the control system of funds also need to be further perfected so as to fulfill the general demand for enhanced macrocontrol and more microflexibility and meet the needs of the reform of the entire economic structure.

Bright Future

In accordance with the guidelines of the 12th CPC Congress, the total industrial and agricultural output value of the autonomous region will reach 42 billion yuan by the end of this century, more than quadruple that of the 1980's figure. This has set forth an arduous but glorious task for our Xinjiang's financial front. Our major tasks from now on are: 1) Continue to reform and perfect the financial system, give full play to the control and regulatory functions of banks in the national economy and accelerate the realization of the general goal in the modernization drive of the autonomous region; 2) use multifarious means of credit to continue to expand the sources of funds and provide more funds for the development and construction of the autonomous region; 3) continue to increase the use benefits of funds and speed up capital turnover; 4) expand and improve international financial business activities, promote exports, continue to increase foreign exchange earnings and absorb more foreign capital; and 5) strengthen the modernization drive of banks and financial organizations, gradually adopt new electronic technology, train large numbers of financial experts and continue to upgrade the modernized management of banks.

Looking ahead, we are full of pride and enthusiasm. Determined to work hard and advance while exploring, we are confident that there will be greater developments in Xinjiang's financial undertakings.

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VICE MINISTER ON PRODUCTION OF MACHINE-BUILDING INDUSTRY

Beijing ZHONGGUO JIXIE BAO in Chinese 3 Dec 85 p 1

[Interview with Ding Xiaonong, vice minister of the machine-building industry, by staff reporter Chang Yu [1603 2509] on 2 December on questions concerning the production situation of the machine-building industry in 1985 and 1986: "Production Slowed Down in the Second Half of This Year and Will Pick up Steadily Next Year"]

[Text] [Question] How is the production situation of 1985? What is the estimated growth rate of 1985?

[Answer] The machine-building industry is a department that provides technical equipment for all sectors of the national economy and at the same time provides some machinery and electrical products for the daily use of the people. Therefore, the production of the machine-building industry is closely related to national economic and social development. The abrupt increases of fixed-asset investment, bank credit and consumption funds before April 1985, especially during the fourth quarter of 1984, caused the social demand for machinery and electrical products to increase sharply, resulting in a steep rise in the production of the machine-building industry. In the first quarter of 1985, the production registered a 34.4 percent increase over the the corresponding period of 1984. After April 1985, the state strengthened the control of macroeconomy and adopted a series of control measures to prevent problems which may arise as a result of the excessive growth of the national economy. Consequently, the demand of various sectors for machinery and electrical products gradually declined. Since May a few products have been returned. The growth of the production of the machine-building industry has gradually slowed down. In the first half of 1985, the total output value registered a 33.3 percent increase over the corresponding period of 1984. In the second half of 1985, some products became unmarketable. As a result, from January to October 1985, the output value registered a 28.4 percent increase over the corresponding period of 1984. It is estimated that the annual rate of increase for 1985 will be 25 percent higher than that of 1984.

[Question] How is the production situation of the machine-building industry in 1986?

[Answer] Next year will be the first year of the "Seventh 5-year Plan" period.

Arrangements for the annual production plan should be based on the "Seventh 5-year Plan" and the principles and policies put forward by the "Proposal of the CPC Central Committee for the Formulation of the Seventh 5-year Plan for National Economic and Social Development" must be implemented. In the "Explanation of the Proposal for the Formulation of the 'Seventh 5-year Plan'" Premier Zhao Ziyang pointed out: "The 'Seventh 5-year Plan' period can be divided generally into two stages. In the first 2 years, we should concentrate on bringing the aggregate social demand under control and solving such problems as excessively high growth rate, overextended scale of fixed-asset investment, and abrupt increase of consumption funds...This will be more efficient than trying to solve all these problems in the second half of this year. It can avoid the losses and shocks resulting from braking too fast." According to this, the production of the machine-building industry may pick up steadily in 1986 as a switch from gradually slowing down in 1985. It is estimated that in 1986 the general production level will be somewhat higher than that of 1985, but the rate of increase will not be very high.

[Question] How is the marketing situation of machinery and electrical products in 1986?

[Answer] The production and marketing of the machine-building industry are closely related to the arrangement for the plan of national economic and social development. According to the fixed-asset investment plan drawn up by the state for 1986, the machine-building industry will generally maintain the general investment scale of 1985 and make some minor readjustments to improve the set-up of investment and emphasize major construction projects. The demand for machinery and electrical products is expected tc increase slightly. Due to changes in the composition of investment, equipment needed by basic industries such as energy, transport, communications, and raw and semi-finished materials will increase more than in 1985. For instance, power stations, transmission and transformer equipment, and auxiliary products may increase 15 to 20 percent compared with 1985. The initial plan for the total output value of the machine-building industry in 1986 is 5.8 to 8.5 percent higher than the estimated figure of 1985. The demand for production maintenance and repairs has a vital bearing on the general level of industrial production. Fittings of industrial and mining equipment, measuring and cutting tools, welding rods and general products needed for production maintenance and repairs will increase accordingly. Products which are used mainly as components of single-unit machinery such as motors, industrial bearings and electrical elements will increase as the production of main engines increases. Since bank credit is under proper control and the purchasing power of collectively-owned township enterprises and peasants is restricted, the demand for farm machinery and vehicles will not be higher than 1985. Especially in the case of large farm machinery such as caterpillar tractors, large combine harvesters and non-popular brand vehicles, the supply may exceed the demand. The demand for household electrical appliances and other machinery and electrical products for daily use is expected to increase over 10 percent due to the adjustment of workers' wages and the increase of peasants' income. Popular-brand products in particular will still be in short supply. Export products are expected to increase by a relatively large margin because the state will take a further step to adopt policies and measures to encourage their production, but their proportion in the total output value of the machine-building industry will still be very small. When analyzing the trend of production and demand, consideration should be given to the social inventory of machinery and electrical products which is expected to decline substantially by the end of 1985 as compared to the previous years but will still account for over 60 percent of the total annual output of such products. Especially those circulation enterprises which have a large inventory of machinery and electrical products probably will stop purchasing or puchase only a small number of such products in 1986. All departments concerned and departments in charge of the machine-building industry at all levels must pay attention to this phenomenon, keep abreast of market situations, and organize production in strict accordance with social demands.

[Question] How is the supply situation of major materials and energy needed for the production of the machine-building industry in 1986?

[Answer] The state will continue to adopt measures to achieve a basic balance between the aggregate demand and supply of society in 1986. It is estimated that in 1986 the supply problem of major materials and energy needed for the production of the machine-building industry will be eased compared with 1985, but the shortage situation will not be changed fundamentally. For instance, in 1986 there will be an increase in domestic steel products and a possible slight reduction in imported steel products as compared to 1985. In addition, under the current situation of supply shortage, the inventory in the first half of 1985 increased 12 percent as compared to the beginning of 1985 and it is not expected to decline at the end of 1985. Moreover, there is a great possibility that in 1986 metallurgical enterprises will overfulfill their production tasks, which shows that there is a great potential in the supply of steel products. Some machine-building enterprises waste large amounts of raw and semi-finished materials and consume too much energy in production. Therefore, it is not impossible to overcome the supply difficulty of primary materials needed for the production of the machine-building industry if all departments unclog channels, strive to locate sources of supply, and vigorously reduce the consumption of goods and materials. With regard to energy supply, the gross value of energy output in 1986 is projected to be higher than the estimated figure of 1985. Solving the energy supply problem remains a major task for a considerable long time to come in the future. The shortage is expected to remain fairly serious in 1986. This demands that all enterprises adopt effective measures to save energy in every possible way.

[Question] What other issues do we need to pay attention to in the production of 1986?

[Answer] In 1986, we still need to adhere to and implement the principle of "three advances and one improvement" and pay attention to the following issues:

Efforts should be made to improve product quality and strengthen technical service. The practice of seeking only high speed and ignoring product quality and social and economic results must be corrected. To improve quality, it is necessary to strengthen control and technical and labor disciplines, make stricter demands, intensify quality supervision and inspection, and perfect the quality inspection system. This is a concrete expression of winning the trust of users and rendering service to the people.

Great efforts should be made to develop variety and adopt measures to launch prompt mass production of new products while doing a good job in the production of products with advanced technology. This is an extremely urgent and important task for the machine-building industry in 1986 and a fairly long period of time in the future.

To adhere to the principle of concentrating on the improvement of economic results, efforts should be made to reduce the consumption of goods and materials and the cost of production, further reduce losses, increase profits, speed up capital turnover, and prevent stockpiling and waste in addition to improving product quality.

When marketing machinery and electrical products, priority must be given to guaranteeing the supply of major state projects. This is an unshirkable duty for all departments of the machine-building industry.

Close attention should be paid to the market changes of machinery and electrical products. The principle of organizing production according to demand must be implemented to avoid stockpiling resulting from a blind input of materials.

Conscientious efforts should be made to do a good job in the production of export products, strive to expand the exports of machinery and electrical products, and earn more foreign exchange for the state. This is an important task for a fairly long time to come in the future.

In order to ensure a proper rate of increase for 1986, conscientious efforts should be made to carry out production preparation work in the fourth quarter of 1985, sum up safety work and carry out a general inspection of safety production. At present, there are many problems concerning the supply of raw and semi-finished materials. If there is a problem arranging material supply for production in the last month of 1985 and the first quarter of 1986, it is necessary to ensure a proper and normal growth rate for the production of the first quarter of 1986 even if it means an appropriate reduction in the growth rate of 1985.

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INDUSTRY

INDUSTRY REACHES NEW STEP IN REFORM

Beijing BAN YUE TAN [SEMI-MONTHLY TALKS] in Chinese No 22, 25 Nov 85 pp 16-21

[Article by the editorial department of BAN YUE TAN: "Industry Ascends to a New Step in Reform--the Third of A Series of Articles on the Study of Current Affairs"]

[Text] The last year of the "Sixth 5-year Plan" is 1985. It is a year for carrying out the reform of economic structure in an all-round way. It is also a year for the industrial front to ascend to a new step and reap rich fruits.

Of the 65 major products included in the "Sixth 5-year Plan," 41 already reached the 1985 targets of the plan in the first 1 or 2 years. It is estimated that by the end of 1985, except for a few products such as yarn, cloth, and crude salt, all targets specified in the "Sixth 5-year Plan" will be fulfilled or overfulfilled.

According to a reliable forecast, the total industrial output value of 1985 will break the record of 800 billion yuan. The difference between the total industrial output value of 1985 and 1984 is tantamount to the total industrial output value of 1965--a year prior to the "Great Cultural Revolution."

Reform Makes New Steps

In 1985 the industrial front has made unprecedented achievements in regard to the extensive scale of reform, rich contents, rapid progress and remarkable results. The reform has been effectively and rapidly changing the face of China's industry and pushing industry into the new period of peak development.

Industrial reform and achivements are demonstrated mainly as follows:

1. With regard to the planning and control system, the scope of command plans has been reduced and that of guidance plans and market regulation expanded. Since the beginning of 1985, the variety of industrial products under command plans has been reduced from 123 to about 60. All products are under guidance plans except for the total social volume of major industrial products and raw materials vital for major construction projects which are under state command plans. All products under guidance plans may be sold by enterprises on their own unless this is prohibited by special state regulations. Such products may

be sold at unified fixed prices, floating prices or negotiated prices according to pertinent state regulations. The reform of the planning system has expanded enterprises' decision-making power and increased their vitality.

2. With regard to the distribution of interests between enterprises and the state, the second step in the tax-for-profit reform has been carried out in enterprises. It is obvious that this reform has served three purposes: 1) Ensured a steady increase in state revenue; 2) further expanded enterprises' financial rights and increased their share of profits; and 3) brought into play the role of taxes as an economic lever and helped strengthen macro-control.

3. With regard to increasing enterprises' vitality, enterprises' decision-making power has been expanded mainly by adopting three measures: streamlining state administration and decentralizing state powers, utilizing the internal strength of enterprises and strengthening macro-control. At present, in addition to some small enterprises which have been invigorated, about 15 percent of large and medium-sized enterprises have also increased their vitality markedly due to the conscientious implementation of a series of policies and measures of the CPC Central Committee and the State Council.

4. With regard to the leadership system and internal control of enterprises, the plant director responsibility system and the internal economic responsibility system have been carried out on a trial basis. The number of units experimenting with the plant director responsibility system has exceeded 20,000 across the nation. After implementing the plant director responsibility system, most enterprises have been able to improve production command, operational control, the ideological and political work of party organizations and the democratic management of staff members and workers. Many enterprises have established and perfected a variety of internal economic responsibility systems. Coal mines whose products are under unified state distribution have implemented a wage contract system under which workers are paid for each ton of coal produced. After more than 1 year of practice, their output has increased over 20 million tons and their staff members and workers have been reduced by over 30,000.

5. With regard to the control of goods and materials, the variety of goods and materials under unified state distribution has been reduced from the previous 256 to the current 65. The variety of goods and materials under the control of various departments has also been reduced accordingly. Small and medium-sized cities have established means of production trade centers, allowing more means of production to enter the market, regulate social supply, and demand and invigorate the market.

6. With regard to the control system of capital construction and the building industry, such reforms as changing state appropriations to loans and adopting investment contract and bid-inviting systems have been carried out. Since 1 January 1985, the investments of all capital construction projects have been changed from free appropriations to loans, the investment contract system has been adopted for more than 100 major projects and the construction bid-

inviting system has also been further publicized. These reforms have changed the situation of "endless investment and marathon construction" and achieved the good results of less investment and a shorter construction period.

7. With regard to the ownership system, the old pattern of unitary state-ownership system is now being replaced by the new pattern of simultaneous development of multiple economic sectors. Under the prerequisite that state ownership occupies the dominant position, China encourages and supports the development of collective and individual economies. In 1985, rural township enterprises and urban collective enterprises have developed rapidly and individually-owned industries have spread to all urban and rural areas of China, totalling over 400,000 units. Some state-run industries have switched to collective management while maintaining their state ownership. Others have been contracted to collectives or individuals to be managed. The development of collective and individual enterprises has served the purposes of filling up the vacancies and invigorating the economy.

8. With regard to economic ties, horizontal economic and technological cooperation and integration have become the trend of economic development in China. At a cooperation meeting jointly sponsored by the six large regions of China, agreements were reached on over 6,000 cooperative projects involving a total value of 3 billion yuan. Integrated bodies of urban technological cooperation, inter-trade and transregional integrated bodies of enterprise, technological markets, and consulting service networks have been established. The strengthening of economic ties has enabled advanced technology to transfer at an unimaginable speed from the east to the west, from urban areas to rural areas, from military to civilian sectors, and from scientfic research to production.

Production Ascends to a New Step

Under the motive forces of reform and the open-door policy, China's industrial production has maintained the favorable momentum of sustained, steady and coordinated development in 1985. The industrial production of 1985 has the following characteristics:

The development of light and heavy industries is balanced. For a fairly long time in the past, the ratio of heavy industry was too high compared to that of light industry and heavy industry failed to serve the development of light and textile industries and agricultural production. This posed an essential problem which remained unsolved for a long time in China's economic construction. At present, agriculture, light industry, and heavy industry each account for approximately a third of the gross value of China's agricultural and industrial output and light and heavy industries each account for approximately a half of China's industry. Judged from the development level of China's productive forces, these ratios are balanced in general. From January to October 1985, the ratio of light industrial value to heavy industrial value was 49.8:50.2 which is expected to change to a more reasonable ratio of 50:50 by the end of the year. Compared with 1978 when light industry accounted for 43.1 percent and heavy industry accounted for 56.9 percent, there has been a drastic change. This is the result of years of readjustment of the national economy.

The growth of energy production is even. From January to October, total energy output amounted to 690 million tons of standard coal, a 10.4 percent increase over the corresponding period of 1984 and a record high rate of increase in recent years. What is more encouraging is the even growth rate of total energy output which maintained a monthly increase rate of about 10 percent. At the same time, coal, electricity and oil output has also increased in an all-round way at the highest speed in recent years. Implementing the principle of simultaneously developing all sizes of state, collective and individual enterprises, township coal mines and small hydraulic power stations have suddenly come to the fore, made rapid developments and become a new force of China's energy production. Now there are over 60,000 township coal mines and over 70,000 small hydraulic power stations across the country. They have made distinct contributions to alleviating local energy shortages.

Popular-brand, good-quality, readily marketable light and textile products have increased by a wide margin. Since the beginning of 1985, due to a large social demand, light, textile and electronics industries have developed at a fairly high speed. At the same time, they have changed product mix and increased variety, designs and high- and medium-grade products through integration, cooperation and technological transformation. In the first 10 months of 1985, household appliances such as refrigerators and color TV sets increased 1.8- and 2.4-fold respectively; wool fabric, paper, cardboard, and cameras increased from 13.5 to 42 percent respectively; and the output of popular-brand products such as Fenghuang and Yongjiu bicyles, Wanbao and Xuehua refrigerators, and Bailan and Youyi washing machines increased by an even wider margin. Another change in the light, textile, and electronic products of 1985 is that product variety and designs have increased substantially and the ratio of high- and medium-grade products has increased.

Most products of the raw and semi-finished materials industry have increased steadily. In order to guarantee the needs of major construction projects and industrial and agricultural production, the rates of increase for the output of steel products, steel, and pig iron have been stabilized between 6 to 10 percent while steel plates, seamless steel tubes and small wire rods have been allowed to increase by a larger margin. The output of cement, plate glass and soda ash has also increased by varying degrees.

In the first half of 1985 some people had some worries about the excessively high speed of industrial growth, the decline in product quality and the slow improvement of economic results. Thanks to the efforts of all fields, these problems are now being gradually solved.

1. Industrial growth has gradually slowed down. In the first half of 1985 the industrial growth rate was relatively high and the monthly increase was between 22 to 25 percent compared with the corresponding period of 1984. In July, the rate of increase began to decline. By October, it had declined to 11.7 percent. The annual increase rate is estimated at about 19 percent.

2. The tendency of quality decline has already stopped. The quality of many products has begun to improve.

3. Economic results have somewhat improved and revenue has increased by a wide margin. From January to October, energy consumption was reduced, labor productivity increased and circulating fund turnover speeded up in industrial production. What is especially noteworthy is that output value, tax and profit delivery to the state, and revenue have continued to increase in tandem.

New Progress in Technology

In 1985 and the "Sixth 5-year Plan" period, China's industrial front made outstanding progress in technology and provided reserve strength for economic development in the "Seventh 5-year Plan" period. Technological progress is demonstrated mainly in the following aspects:

Major construction projects focusing on energy and communications projects have progressed smoothly and a number of enterprises with relatively advanced technology and equipment have been completed and put into production. From January to September, China has completed and put into production 14 large and medium-sized projects and 24 single-item projects. Among the major large and medium-sized projects completed are the Dahua Hydraulic Power Station of Guangxi and the Mudanjiang Power Plant of Heilongjiang which each have an installed capacity of 400,000 KW and the Qinghai-Xizang highway reconstruction project (the section between the Xieshui He of Qinghai and Lhasa). Among the single-item projects completed are the Liaohe and the Xinjiang oilfield construction projects, which have increased crude oil production capacity by 1.2 million tons and 600,000 tons respectively, and the second-phase construction of the coal wharf of the Qinhuangdao harbor. What is especially encouraging is that the first-phase construction of the Baoshan General Iron and Steel Plant of Shanghai, which has the international standards of the late 1970's, has been basically completed and began trial production in mid-September. It has produced iron, steel, and steel products.

All 50 large and medium-sized projects and 114 single-item projects which the state plans to complete and put into production in 1985 will be completed and put into production before the end of 1985 except for a few where there are still some problems waiting to be solved. Among the plans designed to increase energy and communication production capacity in the "Sixth 5-year Plan" period, plans to increase power generating capacity and coal and crude oil production have been overfulfilled; plans to increase the mileage of multi-track railways and rail electrification have been fulfilled by about 90 percent.

Technological transformation has been strengthened. During the "Sixth 5-year Plan" period, the rate of increase for rennovation and transformation investment has been higher than that of capital construction investment in existing enterprises and institutions and 80 percent of the renovation and transformation investment has been used for increasing production, practicing economy, increasing product variety, and improving product quality. During the 4 years between 1981 and 1984, state-owned industrial enterprises began nearly 200,000 investment projects concerning technological measures, invested a total of 94.75 billion yuan and completed 99,000 transformation projects, averaging 1.14 project per enterprise.

Technology import has been quickened and its scale gradually expanded. According to statistics, from 1983 to the first half of 1985, state foreign exchange has been used to sign contracts and conclude over 3,000 deals which involve nearly $3 billion, thereby fulfilling ahead of schedule the plan of the State Council to import 3,000 technological items in the last 3 years of the "Sixth 5-year Plan" period to transform existing enterprises. The overwhelming majority of these projects are the advanced technologies of foreign countries in the late 1970's and early 1980's.

Technological imports and transformation have played a positive role in accelerating the improvement of quality, variety, standards and economic results of China's industry. For instance, coal mines whose products are under unified state distribution have increased the degree of mechanization in coal mining; the proportion of high-temperature and high-pressure generators in all generator sets has been increased; the textile industry has increased its processing capacity in the post treatment, calendering and glazing of polyester-cotton; and energy consumption has been markedly reduced in metallurgical and chemical production. The economic results of imported technology are very outstanding. According to the survey of imported projects already completed and put into production in Beijing, Tianjin and Shanghai, on the average each 1 yuan of investment can create 2.5 to 2.8 yuan of output value and 0.5 to 0.8 yuan of tax and profit delivery a year and it takes only 2 to 3 years to recover all the investment.

Continue To Scale New Heights

Major problems now existing on China's industrial front are as follows. There is much to be desired in revitalizing enterprises, especially state-owned large and medium-size enterprises; they have not really become relatively independent socialist commodity producers and dealers who have decision-making power in management and assume sole responsibility for their own profits and losses; their product quality is poor; their material consumption is high; they use a large amount of circulating funds; and their product mix is irrational.

We believe that under the leadership of the party and amid structural reform and technological progress, the over 50 million staff members and workers of China's industrial front will gradually solve these problems in the "Seventh 5-year plan" period and lay a solid foundation for China's industrial takeoff in the 1990's.

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SHORT-FIBER POLYESTER EQUIPMENT MANUFACTURED

Beijing GONGREN RIBAO in Chinese 25 Dec 85 p 1

[Article by reporters Shen Jianhong [3088 0494 5725] and Qian Peijian [6929 1014 1017]: "A Complete Set of Short-fiber Polyester Equipment With an Annual Capacity of 15,000 Tons Passed Examination"]

[Text] A complete set of short-fiber polyester equipment with an annual production capacity of 15,000 tons, which is one of the major scientific and technological projects in the "Sixth 5-year Plan" period, was successfully manufactured after over 4 years of efforts and passed the state examination on 24 December in the auditorium of the scientific and technological association of the Shanghai General Petrochemical Plant.

Designed and manufactured by China, this complete set of short-fiber polyester equipment ranks first even on a world-wide scale. Since the beginning of the project in 1981, over 40 major units of 10 provinces and municipalities have joined in the battle to produce the equipment. Each of the six production lines consists of 141 individual machines of 73 different types. Among them, 20 individual machines of 9 types are quality products imported from abroad. Total investment for building this equipment is 100 million yuan less than that for importing a complete set of similar equipment. The results of the examination show that the top-quality product rate of this domestic-made spinning equipment averages over 95 percent. As of today, this equipment has produced 62,500 tons of short polyester fiber, created 160 million yuan of tax and profit delivery to the state and basically recovered all construction investment. The production technology and equipment of these six production lines are close to advanced international standards. They have basically met the requirements for the large capacity of equipment, the continuation of technological process, the diversity of products and rational labor protection. They have also adopted the advanced technology of direct melting spinning. With each link connected to another in the whole process from melting polyester to dying and storing fiber, these production lines can produce a variety of fibers blended with wool or cotton. They will cause a major impact on enriching domestic chemical-fiber markets and beautifying the people's daily life.

The State Council sent a telegram to congratulate the examination and sum-up meeting. Hao Jianxiu, secretary of the Secretariat of the CPC Central Committee, delivered a speech at the meeting.

Hao Jianxiu said: Considering from a long-term point of view, China's economic development cannot rely on and be controlled by foreign countries and always remain behind advanced countries. To build an advanced, modern socialist country and enable China to rank among the world's most advanced, we must work hard and dare to challenge the most difficult, scale the heights and take risks. The successful research and manufacturing of the complete sets of 15,000-ton short-fiber polyester production equipment and technology are an example of success. It has not only boosted the morale of the Chinese people but also increased our confidence in relying mainly on our own strength to revitalize the Chinese nation. This spirit of pioneers who dare to take risks and volunteer to shoulder heavy responsibility is exactly what we want to advocate and develop during the four modernizations.

Over 400 representatives of various departments participating in the project attended the sum-up and examination meeting on 24 December. Wu Wenying, minister of the textile industry, summed up the results of the project. Six units, including No 2 Polyester plant of the Shanghai General Petrochemical Plant, at the meeting received silk banners displaying the words "aim high, go all out, and carry out a still greater plan."

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SMALL-SCALE ENTERPRISES

ACHIEVEMENTS OF ANHUI TOWNSHIP, TOWN ENTERPRISES EXAMINED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 22 Feb 86 p 1

[Article by Wang Yuling [3769 3768 3781], Gu Lijun [7357 4539 6511], Wu Jiang [0702 3068]: "Anhui Township and Town Enterprises Achieve Remarkable Success; Last Year's Total Output Value Equal to the Total of 4 Post Years; Number of 100-Million-Yuan Counties Increases by 30"]

[Text] The Anhui provincial CPC committee and government regard the development of township and town enterprises as a major strategic measure in stimulating the rural economy, has beefed up the forces of all management sectors at all levels and promoted the development of such enterprises. Last year gross output value for township and town enterprises provincewide reached 8.52 billion yuan, nearly equivalent to the total figure for the past 4 years, and a 81.2-percent increase over the year before. The amount of profit realized and taxes submitted grew 72.4 and 87.3 percent, respectively, over the year prior. The number of counties where output value exceeded 100 million increased from 15 the year before to 45 last year.

The rapid development of Anhui's township and town enterprise has helped to advance the readjustment of the rural industrial structure. Last year township and town enterprise output value accounted for 16 percent of total output value for the province and for 36 percent of GVAO. The position of township and town enterprise in the province's economy is growing increasingly important. Its coal production is 50 percent of local production volume for the entire province; iron ore is 71 percent and its brick production, 83.2 percent. In addition, tertiary industry in the townships and towns has also developed rapidly. In Hefei, Fuhu, and other cities, the number of beds in peasant-run hostels now exceeds the total for state-run hotels. At present 3.31 million are employed in township and town enterprises, or 17 percent of the province's total rural labor force.

Gross output value in 1983 for the township and town enterprises of Anhui, a province with a fairly weak base and slow to begin reform was only 1.9 billion yuan. Due to the great efforts of the provincial CPC committee and government these last few years in developing township and town enterprise with the cooperation of all sectors, development has been rapid throughout the province. Household- and combined household-run enterprises have sprung up all over and showed a 175-percent increase last year in output value compared to the year before, which accounted for 44 percent of gross output value of all township and town enterprises.

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SMALL-SCALE ENTERPRISES

LIAONING TOWNSHIP, TOWN ENTERPRISE DEVELOPMENTS REPORTED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 19 Feb 86 p 1

[Article by Shi Yongsheng [0670 3057 3932]: "Secretary Li Guixian of Provincial CPC Committee Proposes That Great Efforts Be Made To Develop Township and Town Enterprises"]

[Text] Li Guixian [2621 6311 7639], secretary of the provincial CPC committee, proposed recently that great efforts should be exerted to develop township and town enterprises.

Recently the sixth plenum of the second Liaoning Province CPC Committee and the Rural Work Conference were convened. Li Guixian, CPC committee secretary, proposed work plans for 1986. He said that in order to increase rural productivity, the labor force must be divided up among local industry, transportation, service, and other local industries. In this we must emulate Jiangsu and exert great efforts to develop township adn town enterprise. This is our only way out.

To develop township and town enterprise, we must thoroughly implement the relevant guiding principles and continue to liberalize policies to create the necessary conditions for the even more rapid development of township and town enterprises as relates to funding, materials, personnel, and technology. In order to resolve the funding problem, in addition to relying on the accumulation of funds raised by the enterprises themselves, last year the province supplied them 30 million yuan circulating funds. Seeing as the cities and counties have more money this year, I suggest that they give a little more to support township and town enterprises. As for the technology problem, since we have so many large cities and retired personnel, we could employ them in addition to using various channels to train staff. We should not be afraid, because if we do our job well, there will not be any problems. Regarding the problem of raw materials, the goods and materials departments at all level must support township and town enterprise. Some products that are part of the plan and export products must be provided them in a planned fashion without discrimination. We must improve technical reform and raise the technical and production levels of township and town enterprises. Township and town enterprises, too, should be able to enter world markets, not just state-run enterprises.

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PROBLEMS OF LIAONING TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 22 Feb 86 p 1

[Article: "Liaoning Township and Town Enterprises Overcome Shortages of Capital, Natural Disasters, and Other Serious Problems To Earn 14 Billion Yuan in Revenue"]

[Text] Faced with macroeconomic controls, a tight money market and serious natural disasters, Liaoning Province's township and town enterprises overcame countless difficulties in 1985, continued to develop and fulfilled plan norms 2 months ahead of time. The figure for last year's total revenue for the province's township and town enterprises may reach 14 billion yuan, for an approximate 50-percent increase over the year before. Tax revenue amounting to 1.43 billion yuan was remitted to the state, for an increase of 24.9 percent compared to the year prior.

Profound changes in the rural economy have occurred along with the development of township and town enterprise. More than 2.17 million members of the rural labor force have shifted over to township and town enterprises and now account for 29 percent of the total rural labor force. In some regions where township and town enterprises are more developed, 50 to 80 percent of peasant income is derived from such enterprises. Despite serious natural disasters last year, township and town enterprises showed tremendous economic strength and demonstrated their vital supporting role in the rural economy. Township and town enterprises are making increasingly larger contributions to the state. During the Sixth 5-Year Plan, taxes paid by the enterprises to the state were five fold greater than the amount invested in them by various levels of the provincial government for the same period. Approximately 50 percent of the profit was used in agricultural production and village and town construction.

Liaoning's numerous large and medium-sized cities and its well developed industry form advantageous conditions for the development of township and town enterprises. The provincial CPC committee has called for the cities, large industry, and state-run industry to spur on the countryside, small-scale industry, and township and town industry. At present there are more than 3,000 township and town enterprises in the province that have coordinated their activities with urban factories and mining enterprises, universities and technical schools, and units of scientific research, promoting the development of production. Doing processing work for the cities has now become one of three major township and town enterprises in Liaoning, with an output value accounting for 31.3 percent of the total.

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SMALL-SCALE ENTERPRISES

FUNDING PROBLEMS OF HENAN TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Beijing ZHONGGUO XIANGZHENGQIYE BAO in Chinese 19 Feb 86 p 1

[Article by Zheng Yunmin [6774 6663 2402]: "Henan Province Township and Town Enterprise Output Value Reaches 15 Billion Yuan; Five Transformations Implemented, Sustained Growth in Production Achieved"]

[Text] Despite funding difficulties, township and town enterprises in Henan have energetically implemented the "five transformations" and are showing sustained, stable development. Township and town enterprises provincewide increased last year from 770,000 the year prior to 1.09 million, for an output value of 15 billion yuan, a 50-percent increase over the year before. The five transformations consisted of:

1. A shift from relying on bank credit to run enterprises to the enterprises raising their own funds. According to incomplete statistics, nearly 500 million yuan in funds were raised last year throughout the province, of which 190 million yuan were raised by the new townships and prefectures. Output value increased 380 million yuan.

2. A shift from a two-level system of enterprise management (township and village) to "five wheels turning at once," with the focus on household and combined household enterprise. Last year the number of enterprises run by individual households, combined households and village people's governments increased to 1.01 million, or 92.6 percent of all township and town enterprisexx enterprises, with an output value of 8,279,000,000 yuan, or 52.4 percent of total output value for all grade-5 enterprises. In areas such as Shangqui, Zhoukou, Kaifeng, Nanyang, and Zhumadian where township and town enterprise had a late start, the speed of development has been particularly surprising. Output value for Shangqiu Prefecture's tertiary enterprises accounts for 70 percent of the total.

3. The transformation of the old commune production teams- and brigade-run enterprises to cooperative stock enterprises. Last year the experience in reform of Mi County in "cleaning up production, examining capital, setting prices, and buying shares, cooperative business, and profit sharing according to the amount of stock held" was popularized provincewide, which led to increased economic returns for the enterprises. After the reform of the 22 township-run enterprises of Sanmenxia, output value doubled and profits increased 3.7-fold.

4. The shift from "extensive" to "intensive" development. Last year township and town enterprises zeroed in on business management and technological innovation, thereby increasing economic returns. By taking measures such as improving technique and increasing product variety, township and town enterprises in Mengjin County increased output value 51 percent, and profits by 107 percent.

5. The shift from isolated to open forms, the widespread development of importation from the outside and contacts with the interior and the strengthening of urban-rural cooperation. Last year, township and town enterprises in Henan brought in 450 million yuan in capital, more than 5,600 pieces of equipment, over 3,900 technologies and more than 27,000 scientific and technical personnel and developed 6,600 urban-rural combined enterprises. The more than 300 cooperative enterprises run by 90-odd large factories and scientific research units in Loyang City together with villages in the metropolitan area showed an increase in output value of more than 200 million yuan and in profit of 26 million yuan in the same year.

12221/9435
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SMALL-SCALE ENTERPRISES

RAPID GROWTH OF YUNNAN TOWNSHIP, TOWN ENTERPRISES REPORTED

Kunming YUNNAN RIBAO in Chinese 17 Feb 86 p 1

[Article: "Growth Rate of Township and Town Enterprises in Yunnan Last Year Exceeds that of Any Previous Year; 'Prosperity Through Growth' Discussion Liberates Thinking, Promotes Commodity Production"]

[Text] Last year Yunnan's township and town enterprises showed encouraging growth. According to preliminary statistics of the relevant departments, the total number of enterprises reached 170,000, double that of the year before. Nearly 1 million persons were employed in the enterprises, for a 31-percent increase over the year before, while total revenues were 2,426,000,000 yuan, an increase of 40 percent over the year prior. Compared to 1980, this figure quadrupled in 5 years, for an average annual increase of 32.3 percent. Last year's development was the most rapid to date.

Last year a great discussion on "prosperity through growth" was initiated throughout the province, which liberated the thinking of the cadres and masses. CPC committees and governments at all levels are treating the development of township and town enterprise as a strategic measure in realizing the goal of doubling agricultural production, while the vast ranks of the peasants see their participation in industry and sideline business as a route to enrichment. All levels have coordinated their efforts to energetically develop township and town enterprise. For example, in Kunming City the number of enterprises run at the prefectural level increased 35.5 percent, while township and town enterprises grew 32.3 percent and village-run enterprises increased 19.5 percent. Household and combined household enterprises also showed great growth. For household and combined household enterprises alone, total enterprise revenues created eightfold to 98.29 million yuan from 10.91 million yuan the year before. In addition to the sustained growth of township and town enterprises in advanced prefectures, most prefectures with poorer conditions are also catching up. Township and town enterprise revenue in the Dali Bai Nationality Autonomous Prefecture grew 74 percent over the year before, and 70 percent in Lincang Prefecture. The figure for Nujiang Prefecture where township and town enterprise had a late start more than doubled. The following characteristics were observed in all regions in the development of township and town enterprise:

--New developments were made in the bringing in of technology which grew along with the urban reform. More and more technologies and talented personnel have been reaching the countryside. Taking note of this trend, many township and town enterprises have taken the initiative to link up with departments of scientific research, universities, technical schools and state-run enterprises to obtain a variety of technology. Last year, agreements on 702 technical cooperation projects were reached provincewide; 530 have already been implemented. This has led to the integration of surplus urban personnel, technology, capital, and equipment with rural natural resources to form a new productive force.

--Enterprises have been created by amassing capital from various sources. Despite the overall shortage of funding, many places have refused to wait passively and have used a variety of avenues to amass capital to run enterprises, thus resolving the problem. They have, for example, improved enterprise management, seeking every way possible to increase their own funds; raised funds from the peasants and the collective by issuing dividents; developed combined enterprises to attract capital from state-run and other enterprises; implemented compensation trade to earn capital from accepting orders for products; and squeezed a little money out of local reserves to focus on supporting core enterprises.

--Outstanding development in mining industries has occurred. Last year, after the convening by the provincial CPC committee and government of the mining development conference, township and town mining enterprises have developed rapidly. The total number of small mines in the province grew to 1,267 and small coal mines increased to 5,700, providing more than 600 tons of raw coal to the state in 1 year. In addition, 1.1 million tons of iron ore were provided to the state, as were more than 300,000 tons of manganese, lead, zinc, aluminium, copper, and other ferrous metals. Total production output of raw coal, iron ore, phosphate rock, sulphur, manganese, and other major products produced by township and town enterprises accounted for approximately 40 to 80 percent of total output of those products provincewide.

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INDUSTRIAL TRADE CENTERS STIMULATE HORIZONTAL TRADE

Beijing LIAOWANG [OUTLOOK] in Chinese No 47, 25 Nov 85 p 6

[Article by Ji Shifa [1213 0013 3127] and Li Haifu [2621 3189 3940]: "Industrial Goods Trade Centers Revitalize Circulation"]

[Text] Along with the development of the commodity economy and the opening of the market, a group of industrial goods trade centers have been established nationwide in the past few years. Characterized by their unique openness, flexibility and service, these trade centers have given a better play to the function of organizing commodity circulation on the basis of urban areas.

We relied for many years on a closed, multi-link, distribution-type, vertical commercial wholesale system which is very unsuited to today's flourishing commodity economy. Under such conditions, open trade centers emerged as the times required and injected new energy into commodity circulation. Take the Anyang Industrial Goods Trade Center of Henan Province for example. Implementing the principle of "opening the door wide to promote purchases and sales in a big way," the center is open to all customers. State-run collective, individual, industrial, commercial, town and township enterprises are all allowed to talk and do business at the center. They are all welcomed with equally warm service. As a result, the center has enjoyed unprecedentedly brisk business. Between June 1984 and the end of October 1985, over 6,400 industrial and commercial enterprises and over 2,800 individual and coordinated industrial and commercial enterprises of 28 provinces, municipalities and autonomous regions throughout the country came to the center to talk business and strike deals worth more than 800 million yuan. For another example, the Lanzhou Industrial Goods Trade Center adopts the principle of "making no distinction between north and south and between public and private sectors, placing no restrictions on manufactures in procurement and setting no limits on volume in supply." It pursues a flexible pricing system and open operations. Since it began operations in July 1984, it has purchased 410 million yuan of commodities and made 450 million yuan in sales. The practice of many industrial goods trade centers such as the ones in Anyang and Lanzhou shows that exchanging commodities through trade centers is conducive to linking production directly to marketing and breaking regional and industrial barriers. It is an ideal form for unclogging circulation channels and speeding up commodity circulation.

At present, the main channel of commodity circulation in China is still state-run wholesale enterprises which cannot be possibly replaced by industrial goods trade centers. But if the two are totally separated and set against each other, it would be unfavorable for the development and survival of industrial goods trade centers and more so for the revitalization of the socialist market. Because of this, establishing an organic link between industrial goods trade centers and commercial wholesale companies, enable the wholesale enterprises to play a leading role in multi-channel business deals and trading acitivites organized by the trade centers and help the trade centers to render better multi-purpose service for the wholesale companies to increase their vitality has become an important task for the reform of the commercial wholesale system. The success of the Anyang and Lanzhou industrial goods trade centers can be attributed precisely to the fact that they have properly handled their relations with state-run commercial wholesale companies. It has not only helped them achieve marked economic results in accelerating commodity circulation but also helped commercial wholesale enterprises achieve good economic results. Profits earned by Anyang's three wholesale enterprises and taxes and profits delivered by them to the state in the past year or so increased 24 and 34 percent respectively over the period before the trade centers were established.

Industrial goods trade centers are mostly service-management types or management-service types. Without multi-purpose service, the trade centers would be unable to organize trading activities. Therefore, they should continue to improve service facilities and strengthen service functions, which require funds. Relying on the state for more investment is out of the question and rent and lease money and commissions are too little; therefore, they should develop their own business operations while doing a good job in circulation service to accumulate funds and increase their potential for development. The self-reinforcement of industrial goods trade centers and the full development of their functions and roles are bound to invigorate the socialist market and help commodity circulation to play an increasingly positive role.

12302
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DOMESTIC TRADE

WAN LI, LI PENG URGE GREATER HORIZONTAL COOPERATION

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Text] During the national economic and technical cooperation work conference, Comrades Wan Li [8001 6849] and Li Peng [2621 7720] each heard reports on the situation in economic and technical cooperation. They affirmed the achievements which economic and technical cooperation has brought about, and demanded that all localities and sectors vigorously promote horizontal economic cooperation based on the principle of mutual benefit.

Wan Li said, "Nationwide, economic and technical cooperation work has been quite beneficial in the last couple of years. It is a very important piece of work and can vastly benefit economic invigoration. We must achieve the three transfers: the transfer of technology, skilled personnel and products. In short, we must pursue an open-door policy. Transferring coastal technology to the interior works to the advantage of both sides. We must break down barriers; whoever is surrounded by them will fall behind. Transferring coastal technology and products to the interior is not easy; there are bound to be some impediments. The reluctance of developed areas to pass on technology or products, for example, or the inability of backward areas to digest them. Hence, economic and technical cooperation must proceed according to the principle of mutual benefit."

Wan Li said, "Business management is a big issue. It will not do to have good technology without sound management. We must step up the training of cadres. We must prosper together. Those who are diligent, efficient and capable should naturally prosper ahead of others. Correspondingly, those who are indolent and unwilling to work will not prosper quickly. Egalitarianism and eating out of the same big pot will not get us anywhere."

Wan Li pointed out, "The State Economic Commission must concern itself with national economic and technical cooperation and do so with good results."

Li Peng stressed that like obtaining patents which can mean economic rewards, economic and technical cooperation and linkage should mean the transfer of technology in return for royalties. He said, "Economic and technical cooperation and linkage are technology transfer writ large. The transfer of technology in return for royalties helps promote the popularization of technology and encourages invention and innovation. What is not permitted is charging exorbitant prices, not to mention fleecing. Technology transfer as a form of economic and technical cooperation plays an important role in invigorating China's enterprises and making its economy prosper."

Li Peng said, "With power decentralization, enterprises have become more autonomous, but changes have also occurred in their original patterns of economic cooperation. To make better use of their potential in such areas as raw materials and skilled personnel, a good method is to develop inter-enterprise cooperation in the form of integrated bodies. Such bodies may come in a variety of shapes and sizes and are more or less tightly knit. Some straddle sectors, regions and systems of ownership. Subsidiary relations need not be affected in all cases. When enterprises want to establish integrated bodies, the agencies should not stand in their way unreasonably but should give them support."

Li Peng said, "Economic and technical cooperation has had a very impressive record in recent years and is gaining strength all the time. It is an important part of the reform of China's socialist economic system. The development of our economy is grossly lopsided. The gaps between the eastern and western parts of the nation are an objective reality and imbalances exist even within a province or region. To make sure that advanced technology and experience are disseminated and applied, a good approach is to augment horizontal linkages and promote cooperation and exchanges."

12581
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TIANJIN'S HORIZONTAL ECONOMIC TIES DISCUSSED

Beijing RENMIN RIBAO in Chinese 12 Nov 85 p 1

[Text] In the past few years, Tianjin's transregional horizontal economic relations have developed rapidly. Its economic activities are gradually developing from a simple vertical link to a horizontal link between different regions and industries.

Since 1980, Tianjin Municipality has established long-term economic cooperative relations with 22 provinces and municipalities. The cooperative office of the municipal government alone has organized talks on over 4,200 projects including over 700 projects of integration, over 2,500 projects of technological cooperation and 930 projects of personnel cooperation. About 50 percent of these projects have been completed or basically completed. In order to adapt to horizontal economic development, the Tianjin Municipal Government has set up administrative organs in Beijing, Shanghai, Guangzhou and Shenzhen. More than 20 provinces and municipalities have set up government administrative offices in Tianjin Municipality. The economic cooperative office of the Tianjin Municipal Government has also established information exchange and cooperation relations with 150 units of 28 provinces and municipalities. A horizontal economic network which links upper and lower levels and departments at the same level is now taking shape.

In order to perform the function of a central city, Tianjin Municipality has also established throughout the country more than 30 different types of trade centers and 427 differnt types of technological development and consulting service organizations, accelerating the exchange of goods and materials, commodities and scientific and technological achievements. Through various forms of integration and cooperation, the economic cooperation office of the Tianjin Municipal Government alone has purchased more than 100 varieties of goods and materials in short supply which amount to 1.6 billion yuan in total value.

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SHANDONG DEVELOPS EXPORT-ORIENTED ECONOMY

Beijing GUOJI SHANGBAO in Chinese 21 Oct 85 p 2

[Article by Li Chongwei [2621 1504 1218] and Chen Jiaqin [7115 1367 0530]: "Shandong Province is Advancing Toward the Direction of Developing An Export-oriented Industrial Structure of Trade, Industry and Agriculture"]

[Text] The total export volume of Shandong Province is one of the largest in the country. Since the beginning of this year, in spite of a national shortage in the sources of export goods, Shandong has had an abundant supply of goods and managed to increase exports due to leaders' attention and proper measures. This year, Shandong Province is planning to strive to over-fulfill the state-assigned export plan.

The reason Shandong's export trade can develop so fast is that they have already begun developing step by step an export-oriented industrial structure of trade, industry and agriculture. Their major experiences are as follows:

1. Major leading comrades have been personally involved in investigations and studies and paid great attention to ensuring the sources of export goods. Since the beginning of this year, party committees and government organs at all levels in Shandong Province have further strengthened leadership over export work. Liang Buting, secretary of the provincial CPC committee, has attended many briefings on foreign economic relations and trade of various cities and prefectures and helped them solve problems in this work. In April of this year, the provincial government held a special work conference on foreign trade and exports. Proceeding from the reality of Shandong Province, participants at the conference studied and formulated several measures and methods to encourage exports and support production. They also stressed the sources of export goods and marketing promotion in foreign countries. Not long ago, Governor Li Changan personally led a group and visited provincial foreign trade departments and various specialized import and export subsidiary companies. He organized many forums on the question of how to strengthen export work and mobilized the people to suggest ideas and ways to increase exports and foreign exchange earnings. In order to do a good job in the peak procurement period in the second half of 1985, the provincial government recently held another forum on export issues in Yantai. Participants at the forum conducted discussions around such issues as how to ensure the fulfillment of this year's export plan, how to strive to increase exports and

foreign exchange earnings and how to develop step by step an export-oriented industrial structure. In accordance with the tentative ideas provided by the "Seventh 5-year Plan," they also proposed 34 projects on integrated and joint management of industrial, mining and agricultural production so as to expand exports and thereby laid a material foundation for further expansion of foreign trade and exports.

2. Joint ventures and integrated operations of trade, industrial and agricultural units has been practiced in accordance with the demands of specialized division of labor and systemized production. Chicken meat and asparagus are two major traditional export commodities of Shandong Province. Over the years, Shandong has developed a new way of systemized production and exports under the structure of trade, agriculture and industry. The Weifang area is a production base for chicken meat. Zhucheng County organized a joint-investment coordinated operation based mainly on local and provincial foreign trade bases and companies and foreign trade cold storage and processing plants. In other words, the whole process from developing improved breeds to building major chicken farms run by specialized households, processing and supplying special fodder and processing products was made into a systematic, coordinated joint operation which has yielded good results. While doing a good job in thousands of chicken farms, Zhucheng County has paid special attention to major chicken farms run by specialized households. It has built 44 chicken farms in its 35 townships, towns and villages. Each of these farms has a capacity of producing 50 tons of chicken a year. They are given the priority in the supply of improved breeds and fodder and in the procurement and processing of grown chickens. The Shandong subsidiary of CEROILFOOD [China National Cereals, Oils, and Foodstuffs Import and Export Corporation] cooperated with a frozen chicken import company of Japan in establishing two special frozen chicken storage and processing plants in Yexian and Zhucheng counties. These plants are designed in accordance with the needs of the Japanese market to produce only about a dozen varieties to be exported to Japan. Such a small town enterprise which serves as a joint export commodity production base by integrating the operations of stud farms, major specialized households, fodder processing plants and cold storage and processing plants through the channel of foreign trade is capable of bringing local advantages into full play, providing an ample and steady supply of high quality, marketable goods for expanded exports and increasing peasants' income and market supply at home.

3. Shandong has tried evey possible way, starting with developing production, to increase the sources of export goods through joint ventures and integrated operations of industrial and trade units and many other flexible forms of management. Major forms are as follow:

A. Joint ventures of industrial and trade units. The Shandong subsidiaries of SINOCHEM [China National Chemicals Import and Export Corporation], MINMETALS [China National Metals and Minerals Import and Export Corporation], and CEROILFOOD have all adopted this form. For instance, the Shandong subsidiary of SINOCHEM, the Luyuan Company and the Zhucheng County Foreign Trade Company signed a contract with six chemical plants in Anqiu and Zhucheng counties on joining investment to carry out six projects which have yielded quick results with little investment.

B. Exports on a commission basis and integration with inland areas. Alumina is one of the major export commodities of the Shandong subsidiary of MINMETALS. In the past, it was mainly shipped in from Henan and Shanxi provinces. In view of changes in the sources and supply of goods which occurred after domestic markets were opened up, the Shandong subsidiary of MINMETALS has sent people on many occasions to Henan, Shanxi and Guizhou provinces to discuss ways to carry out integrated operation of alumina business since the second half of 1984. They signed an agreement with Shanxi on the exports of 100,000 tons of alumina on a commission basis. They also went to 30 mines in Henan and signed contracts on the direct procurement of 200,000 tons of alumina. In addition, they signed an agreement with the Henan branch of MINMETALS on consigned shipment. Under this agreement, 2 percent of the total value of the goods will be given to the Henan company as a fee for handling. After goods arrive at Qingdao, they will be processed first and then exported. This is a new form of integration between port cities and inland foreign trade companies.

C. Compensation trade. Through the form of compensation trade, the Shandong branch of MINMETALS has increased the production of granite, graphite and drawn wires for exports and achieved very good results. Granite produced in the Hongning Town Granite Mine of Wulian County is of outstanding quality and very popular among foreign buyers. However, due to a lack of production machinery and equipment, this mine cannot increase output. In view of this, the Shandong branch of MINMETALS, after contacting its headquarters, signed a 10-year supply agreement with the mine in the form of compensation trade. Beginning this year, this mine will supply 1,300 to 2,000 cubic m of crude granite for exports every year.

D. Flexible forms of business such as barter and processing of imported materials. The Shandong branch of MINMETALS signed an agreement with Guizhou on the exports of 20,000 tons of alumina on a commission basis and another agreement with the Yexian magnesite mine on the exports of 10,000 tons of recalcined magnesia on a commission basis. In order to ensure the sources of export goods, this company used vehicles, instruments, chemical fertilizer, steel products, timber and other means of production to barter with the mines for their products. By so doing, this company helped the mines solve their problems in production and effectively supported their production.

4. Shandong has circulated funds, paid for the goods in advance and ensured the sources of export goods. The Shandong branches of CEROILFOOD and MINMETALS have adopted this form to acquire export commodities in short supply.

5. Shandong has implemented the contract system, set protective prices and stabilized the sources of export goods. The Shandong branches of CHINATUHSU [China National Native Produce and Animal Byproducts Import and Export Corporation] and CEROILFOOD have negotiated with peasants and fishermen in fixing lowest protective prices for farm and sideline products in short supply such as rabbit fur, prawns and mink. This practice reassures peasants and fishermen and guarantees stable production. It is an effective way to guarantee the sources of export goods.

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COMPLETION OF 1985 EXPORT PLAN EXPECTED

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Article by Tang Jun [0781 0193]: "Year-end Trade Statistics"]

[Text] By 20 December, yet another number of provinces, municipalities, regions and specialized corporations have joined the ranks of units which overfulfilled this year's export plan ahead of time. On that day, we effectively accomplished 96 percent of our export targets.

According to information provided by relevant sources, seven provinces and municipalities -- Shandong, Jiangsu, Tianjin City, Shanxi, Guangzhou, Gansu and Ningxia -- together with the China National Textiles Import and Export Corporation and the China National Cereals, Oils and Foodstuffs Import and Export Corporation have completed their respective export plans, thus bringing the number of provinces, municipalities and regions with that achievement up to 14 and the number of corporations to 11. Our exports so far constitute 96 percent of total projected exports, an increase of 7 percent over the same period last year.

Reportedly, such exports as grain, cotton, vegetable oil, cotton polyester fabrics, filature silk, jute, gunnysack, tea, fireworks, firecrackers, cultured pearls, paraffin wax and coal have registered exceptionally fast growth.

According to analysis by people concerned, we should be able to complete the 1985 export plan by year end, judging by our current export momentum.

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THREE CITIES GEAR UP FOR NEXT YEAR'S EXPORT WORK

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 2

[Article by Cao Shoujiang [2580 1108 3068]: "Export Statistics on Chongqing, Guangzhou and Shenyang"]

[Text] After completing their 1985 export tasks to earn foreign exchange, the three cities of Chongqing, Guangzhou and Shenyang have lost no time in planning for next year's work to maximize their exports and foreign exchange earnings in the 1st quarter.

Chongqing accomplished its export plan for the entire year as early as early November. But it has succeeded in more than exceeding export targets. In the past, it tended to take things easy at the early part of the year only to have to do a rush job toward the end. With that problem in mind, the municipality instilled the guiding ideology that one must do a good job and accomplish as much as possible in the 1st quarter. Plans were drawn up well in advance and efforts were made to coordinate industry and trade. Currently production and procurement units are carrying out the plan. The aim is to accomplish 20 to 30 percent of the year's targets in the 1st quarter.

Guangzhou completed its export and foreign exchange earnings tasks on 10 December. By that date, they had sold 30.7 percent more than they had at the same time in 1984. On the one hand, they are doing their best to overfulfill this year's plan and export an additional $30 million worth of goods in the remainder of the year. On the other hand, they are preparing feverishly for next year. The end of a year is a peak season for foreign trade procurement and also a time when units are most strapped for funds. Guangzhou vigorously cleared up all kinds of channels, took strong measures to solve certain specific problems, expanded procurement and increased the stocks of those export commodities much sought-after in the market. All this bodes well for exports next year. Incentives are also provided to factories which produce for the foreign markets to make sure that their profits do not drop below those of other factories which produce for the domestic market.

As soon as it accomplished its export tasks in late November, Shenyang threw itself into the preparation of next year's work to increase exports and earn more foreign exchange. Their thrust is directed at the development of new products which will sell well because of their novelty, high quality and inexpensive prices. There are over 100 scientific research units and 220,000 scientific research workers in Shenyang. Technical problems encountered by the municipality in its export drive will be tackled by scientific research units through a bidding system. Of the first batch of 22 projects currently identified, 7 have already been assigned to scientific research units and the others will be dealt with before the year is out. The goals are to have more than half of the municipality's 170 large and medium-sized enterprises produce for the foreign market next year and boost the procurement value of the city's 14 major export commodities to more than 30 percent of overall procurement. The means toward these goals are product development and an export drive.

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SHANGHAI EXCEEDS FOREIGN TRADE PLAN GOAL FOR 1985

Shanghai JIEFANG RIBAO in Chinese 3 Jan 86 p 1

[Article by Cao Zhenzhong [2580 2182 0022] and Gao Xiaoxiao [7559 5135 4562]: "Shanghai Fulfills Foreign Trade Targets"]

[Text] Despite such adverse conditions as a depressed international market, slumping export prices and shortages of popular products, Shanghai last year succeeded in fulfilling and even slightly exceeded the foreign trade targets laid down by the state as a result of concerted efforts by foreign trade agencies and other departments concerned. A dozen companies in such areas as textile, apparel, light industry, recreation and sports equipment, mining, livestock, tea leaves and household linens and bedding completed their export tasks ahead of schedule.

That Shanghai was able to accomplish the state plan so successfully is due to several reasons:

First, by strengthening industry-trade coordination, it augmented the supply sources of exports. The availability of watches, tires and bicycles, for example, all has increased to various extents. Procurement within the municipality by foreign trade agencies was valued at 8 billion yuan last year, exceeding the planned target by 5.2 percent.

Policies to encourage export have proved effective in mobilizing enterprises' enthusiasm for selling abroad. After many enterprises carried out such policies in earnest, export supply sources have been going up month after month since last August. From August through November, an average of 720 million yuan worth of goods were procured each month, an increase of 16.4 percent over the monthly average during the January-July period before the policies were implemented.

Third, foreign trade agencies have adopted an array of methods to step up cooperation with other provinces and municipalities, including joint operation of plants, barter trade, appointment of agents, and supporting exports with imports. Through strengthened economic cooperation with sister provinces and municipalities, Shanghai has been able to increase the value of outside supply sources and outside procurement to 2.5 billion yuan, compared to less than 500 million yuan at the beginning of 1985, an increase of 9.36 percent over 1984.

In addition, foreign trade agencies coordinated their moves with industry and actively sought to open up the international market and made endless efforts to clinch foreign deals. They organized trade negotiations, took part in the Guangzhou Trade Fair, sent sales missions abroad, invited businessmen to visit Shanghai and held exhibitions overseas. Almost $1 billion worth of business was concluded at the trade fair last year, the best year ever. Apart from consolidating its markets in Hong Kong, Macao, Europe and the United States, it also took pains to develop barter trade with some countries in Eastern Europe and open up new markets in Latin America and Africa.

Fourth, powerful support by the transportation sector did much to ensure that foreign trade tasks were accomplished. Agencies in charge of the port, piers, municipal transportation and railroads overcame difficulties and did their best to facilitate the outbound shipment of exports. At the port, preference was given to exports over imports and 10 additional berths were made available to rush through the loading of outbound goods. This and other measures have been markedly successful. In terms of tons, outbound cargo handled at the port last December represented an increase of 25 percent over that in November.

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FOREIGN TRADE AND INVESTMENT

DEVELOPMENT OF SHANGHAI EXPORT PRODUCTION SYSTEM VIEWED

Shanghai JIEFANG RIBAO in Chinese 4 Jan 86 p 1

[Article by Cao Zhenzhong [2580 2182 0022] and Gao Xiaoxiao [7559 5135 4562]: "Foreign Trade Conference Strategizes To Boost Exports"]

[Text] Shanghai will gradually set up an export production system to ensure that the municipality's foreign trade this year and during the "Seventh 5-Year Plan" will increase substantially and achieve new breakthroughs. This was disclosed yesterday at the 1986 Shanghai foreign trade work conference convened by the municipal people's government.

Vice Mayor Li Zhaoji [2621 5128 1015] attended the conference and addressed the gathering.

At the conference, Vice Chairman Zhuang Yulin [8369 3768 7792] of the municipal Foreign Economic Relations and Trade Commission outlined a plan containing major measures aimed at increasing Shanghai's exports and foreign exchange earnings this year. The thrust will be directed at the establishment of a host of production bases to make agricultural sideline products and factories specializing in the production of industrial goods for export. Both production and export will be geared to the needs of the international market. With that as a basis, Shanghai will gradually put together an agricultural and industrial export production system with Chinese characteristics. Zhuang Yulin said, "This is a major strategic measure to enhance our ability to export and earn foreign exchange under the new circumstances. It is a path we must travel if we are to succeed in export commodity production based on the development level of our productive forces. This year we will begin by examining group by group the 138 key commodities and export factories which account for 74 percent of Shanghai's foreign exchange income, select the best, and draw up a plan as the first step toward shaping Shanghai's export production system."

Zhuang Yulin said, "The port of Shanghai's export plan for 1986 has been drawn up. The municipal CPC committee and people's government demand that our exports this year surpass last year's by 9.4 percent. To make sure that we accomplish this plan and even overfulfill its targets, we must secure the supply of products in heavy demand as well as carry out the research required by the establishment of an export production system. At the same time, industry and trade must coordinate with each other and do whatever is necessary to tap additional supply sources and increase procurement. As far as the opening-up of international markets is concerned, we must conquer new markets in the Persian Gulf region and Southeast Asia in addition to consolidating our existing markets in Hong Kong, Macao, Europe, the United States and Japan. Moreover, we must fight our way into Latin American and African markets. We must also implement economic measures aimed at encouraging export, establish additional economic linkages with sister provinces and municipalities, strengthen the administrative management of foreign trade, reform the foreign trade system vigorously but cautiously, intensify cooperation between foreign trade and transportation agencies, and continuously improve the loading of outbound goods."

Over 1,000 relevant responsible cadres from the municipality's industrial bureaus, foreign trade companies and industrial companies attended the conference yesterday. Also in attendance were leaders from the municipal Economic Commission, the Foreign Economic Relations and Trade Commission, Planning Commission and Communications Office, and officials from the Shanghai office of the Ministry of Foreign Economic Relations and Trade. Chairman Yu Pinfang [6735 0756 2455] of the Shanghai Economic Commission presided over the conference.

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SHANGHAI ABSORBS $1.2 BILLION IN DIRECT FOREIGN INVESTMENTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Oct 85 p 3

[By reporter Xu Qiuliang [6079 4428 2733]: "A Constant Stream of Foreign Capital Flows Into Shanghai; Twenty Percent Are Investments in Manufacturing Industries; Foreign Capital Absorbed in Third Quarter Is Twice That of First Half Year"]

[Text] Up to the end of September of this year, 141 Chinese-foreign joint ventures, cooperative enterprises and solely foreign-financed enterprises have been approved and set up in Shanghai, absorbing direct foreign investments of almost $1.2 billion.

Guided by the policy of "opening up toward the outside world and invigorating the domestic economy," the progress achieved by Shanghai this year in absorbing foreign capital amounted to a breakthrough. During the period from January to September, 49 Chinese-foreign joint ventures, absorbing $200 million foreign capital, and 27 Chinese-foreign cooperative enterprises, absorbing $530 million foreign capital, were approved and set up in Shanghai Municipality, making a total of 76 cases of direct foreign investments, absorbing $730 million foreign capital. The increases compared to last year were 73 and 114 percent, respectively. Foreign capital absorbed in the 3d quarter of this year amounts to double the amount absorbed during the first half of the year.

Among the 141 Chinese-foreign joint ventures, cooperative enterprises and solely foreign-financed enterprises, 70 enterprises were of an industrial nature, accounting for half of them, and among those that have already started production there are the Shanghai Santana Motorcar Co, a Chinese-West German joint venture, the manufacture of a numerically controlled telephone exchange, a Chinese-Belgian joint venture, and the manufacture of MD-82 passenger planes, a Chinese-American cooperative enterprise. The investments by foreign businessmen concentrate on technology-intensive projects, which is highly significant for the technological transformation in Shanghai during the Seventh 5-Year Plan starting next year, for raising production capacity and thereby also for efforts to catch up with the advanced world levels. This year one-fifth of the foreign investments were made into manufacturing industries.

Starting out from the actual needs of the present, Shanghai Municipality, apart from absorbing foreign capital for the continued construction of large hotels, will be placing its emphasis on productive projects that will increase exports and create foreign exchange revenue. Next year the proportion of foreign capital to be absorbed in the manufacturing industries will be further increased.

9808
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SHANGHAI DEVELOPMENT SYMPOSIUM STRESSES FOREIGN CAPITAL USE

Shanghai JIEFANG RIBAO in Chinese 27 Dec 85 p 1

[Article by Di Jianrong [3695 1696 2837]: "Shanghai Urged To Prepare for a New Stage in the Open Door Policy"]

[Text] Shanghai's first "open door policy and development" symposium closed yesterday after 2 days of lively discussions. What impressed one most about the symposium is the conclusion that Shanghai must further liberate its ideas, broaden its vision and hack out a new path in order to open its door and use foreign capital successfully.

During the discussion, many comrades suggested that the open door policy and development are so closely related that they are inseparable. To develop further, Shanghai must continue to pursue the open door policy. Experts and scholars present also explored, on a theoretical plane, such ideas as the use of foreign capital to import technology, achieve technical modernization and update Shanghai's infrastructural facilities; the question of balance in the use of foreign capital by enterprises; and the ability to use foreign capital. Proposals were also put forward for policymakers.

Mayor Jiang Zemin [3068 3419 3046] and adviser to the municipal government Wang Daohan [3076 6670 3211] attended the symposium and addressed the gathering. They said that using foreign capital and doing a good job in export and earning foreign exchange have strategic significance for Shanghai's development. They expressed a desire to work with everybody to examine and study the issues and sum up experience so that when the next stage in Shanghai's open door policy arrives, we will be fully prepared ideologically, intellectually, theoretically and in terms of policy, laws, regulations, working procedures and trained personnel. Pan Weiming [3382 4850 2494], deputy director of the Propaganda Department of the municipal CPC committee, delivered the closing speech.

12581
CSO: 4006/700

RENMIN RIBAO SPONSORS FORUM ON JENKINS BILL

Beijing GUOJI SHANGBAO in Chinese 21 Oct 85 p 1

[Article by reporters Li Hongmei [2621 4767 2734] and Zhou Jisheng [0719 4949 0524]: "The Jenkins Bill Evokes Strong Repercussions in Trade Circles--Forum Sponsored by RENMIN RIBAO on the Jenkin Bill Now Being Considered by the U.S. Congress"]

[Text] On 7 October, the editorial department of the RENMIN RIBAO sponsored a forum on the Jenkins Bill and the restriction of textile imports now being considered by the U.S. Congress. Responsible persons from a dozen import and export companies which do a great deal of trade with the United States and other personages from trade circles attended the forum. The participants at the forum unanimously held that this bill violates the multifiber agreement and the Sino-U.S. trade agreement and that if it is passed, it will seriously impair Sino-U.S. trade development and its results will be quickly reflected in China's import and export trade with the United States.

Wang Zhenhua [3769 2182 5478], general manager of the China Petrochemical International Enterprise Corporation, said: My company imports a large amount of raw materials of chemical fiber, technology and production equipment from the United States. If the United States puts restrictions on China's textile exports, it will directly affect our company's exports and then our ability to pay for our imports, resulting in serious consequences in petrochemical trade between the two nations.

Zhu Dazhi [2612 6671 1807], deputy general manager of the China National Chemicals Import and Export Corporation, pointed out: In the past few years, we have paid great attention to developing trade with the United States. In 1984, our company imported over $900 million of U.S. commodities, an increase of 258-fold over 1973. We hope that the U.S. side would not create man-made obstacles in the development of bilateral trade.

The representative of the China Civil Aviation pointed out: China has just imported many U.S. airplanes. According the needs of civil aviation, China will import many more airplanes in the "Seventh 5-year Plan" period. If the Jenkins Bill is passed, China's trade deficits with the United States will increase further and directly affect China's ability to pay for its imports. As a result, we would have to reconsider the arrangement for imports.

Yu Liancheng [0060 6647 2052], deputy chief engineer of the China Electronics Import and Export Corporation, said: Textile and other kinds of trade belong to the same entity. Limiting China's textile and clothing exports will directly affect China's ability to pay for its imports. If the Jenkins Bill is passed, we would be forced to readjust and reduce the items of our import from the United States.

Huang Jianmo [7806 1696 6206], deputy general manager of the China Silks and Satins Corporation, said: The Jenkins Bill has seriously violated the multilateral textile agreement and the Sino-U.S. Trade Agreement. In violation of the Sino-U.S. trade agreement, the United States unilaterally adopted restrictive measures and expanded the scope of restriction. This is a trade discrimination policy. We cannot accept it. Especially, the United States does not have a silk industry and cannot even find an excuse of "protecting industry;" therefore, limiting our silk imports is sheer discrimination. We strongly oppose this bill.

The representative of the China Textiles Import and Export Corporation, said: Our opposition to this bill is very obvious. Our company not only exports textiles and clothing to the United States but also imports raw materials of synthetic fibers from the United States. The direct consequence of U.S. restrictions on textile and clothing imports is plain to see.

The representatives of the China Native Produce and Animal Byproducts Import and Export Corporation, the China Instruments Import and Export Corporation and the China Technology Import Corporation and some personages in trade circles also expressed serious concerns and strong objections to this bill.

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CSO: 4006/302

MOFERT ON STRICTLY CONTROLLING QUALITY OF IMPORTED GOODS

Beijing GUOJI SHANGBAO in Chinese 30 Sep 85 p 1

[Article by Lin Guihua [2651 2710 5478]: "Answering Questions from a Reporter of this Newspaper, a Person in Charge of the Foreign Trade Administration Bureau of the Ministry of Foreign Economic Relations and Trade Pointed Out that the Quality of Imported Commodities Must Be Strictly Controlled."]

[Text] Recently, this newspaper carried several consecutive reports on occurances of inferior quality imports,arousing public interest at home and abroad and attracting the attention of government agencies concerned.This reporter interviewed a person in charge of the Foreign Trade Administration Bureau of MOFERT on some of the problems of mass concern.

Q: How do you evaluate our news reports of several incidents involving the import of inferior quality commodities?
A: In the course of importing general merchandise, it is normal that some inferior quality goods occasionally come in and that claims are subsequently filed. But there shouldn't be any problems with the quality of high technology imported goods. The problems with products such as `Orion' color televisions and Mitsubishi FP418 heavy duty trucks are rare in international trade. The `Guoji Shangbao' investigated, and factually reported and exposed these problems, helping to press for a solution and urging buyers and sellers to face the problems and adopt remedial measures. This is valuable assistance to buyers and sellers and in future will foster better cooperation.

So far this year, the country's import trade has expanded rapidly; imports from Japan, especially, have posted large increases.Paralleling this increase has been a sharp rise in imports of inferior quality products, which infringe on the rights and interests of Chinese consumers, inevitably arousing the attention and concern of agencies involved.
Q: Imported `Orion' color televisions and Mitsubishi heavy trucks were found to be of inferior quality. How do you propose to handle these cases?
A: After the problems were discovered, MOFERT issued a notice to concerned import corporations and user units, requesting implementation of a full fledged inspection on all imported items and adoption of timely corrective measures. Realizing that the underlying cause stemmed from the poor quality of the imported products themselves,resulting in heavy economic losses for all government agencies concerned and for consumers, we feel that the exporters must make up for the losses according to established international trade practices and stipulations in the contracts signed by both parties.

We hope that these problems can be settled quickly in an appropriate and reasonable manner.The corporations involved should also draw a lesson from these incidents.

Q: How can the problem of importing poor quality goods be prevented from happening again?

A: This requires a mutual effort on the part of importers and exporters. First, exporters should back their products, and products should be able to pass inspections and quality appraisals. Our import corporations must approach work with an attitude of deep responsibility toward the country,the end users and the rights and interests of consumers; before signing import contracts,thoroughly investigate and research exporters' credit and product quality,and get an effective hold on the quality of imported products to prevent shoddy workmanship and the switching of good import products for bad ones; when contracts are signed, make sure provisions have clear, precise and strict stipulations on such items as product quality, inspection and claim procedures; and after shipments arrive,promptly ask state commodity inspection units to perform quality inspections or reinspections. Once a problem is discovered, promptly file a claim to the exporter to recover economic losses. Import administration units must strengthen control over examination and approval of import commodities; commodity inspection units must rigorously carry out quality control work. Import of all higher technology products which state commodity inspection units determine do not meet state quality and safety standards will not be permitted.

To strengthen control over quality of import products, MOFERT, the Ministry of Commerce and the State Commodity Inspection Bureau have jointly formulated "Provisional Regulations on Inspection of Imported Home Electrical Appliances," and in future will formulate other relevant provisions as required. The Foreign Trade Administration Bureau of MOFERT,functioning as the management arm for import and export trade of the entire country, plans to strengthen control over import commodities by: 1) insisting on centralized and joint purchasing for large quantities ofimport commodities, the import of categories of large quantity commodities such as automobiles requiring centralized purchasing; 2) rigorously examining and approving import permits; and 3) requiring all importing units to strictly implement state commodity inspection regulations; all imported commodities must be inspected within a specified time, and those not inspected will not be permitted to be installed, put on line, sold or utilized.

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FOREIGN TRADE AND INVESTMENT

ECONOMIC RELATIONS WITH HONG KONG INCREASINGLY 'INTIMATE'

Fuzhou FUJIAN RIBAO in Chinese 19 Dec 85 p 3

[Article by Huang Yue [7806 6390]: "Review of Chinese-Hong Kong Economic Relations Over Past Year"]

[Text] December 19, 1985 marked the first anniversary of the formal signing of the Chinese-British joint declaration on Hong Kong. During the past year, Hong Kong and the mainland have developed even more intimate relations as they supplement each other economically. Both are moving in the direction of prosperity.

New Developments in Trade Relations

Two-way trade between Hong Kong and the mainland in the first 9 months of this year totaled $87.8 billion [Hong Kong dollars] (all data in this article are Hong Kong statistics), an increase of 33 percent over the same period in 1984, and accounted for more than one-quarter of Hong Kong's foreign trade. China has become Hong Kong's No 1 trading partner.

Hong Kong exports to the interior, negligible a few years back, have been expanding continuously in recent years as a result of China's open door policy, uninterrupted economic growth and its people's rising living standard. Hong Kong's entrepot trade with China has also been going up. The signing of the Chinese-British joint declaration has opened up broad vistas for two-way trade between Hong Kong and the mainland. From January through September, Hong Kong exported to China a total of $11.5 billion [Hong Kong dollars] worth of goods, 54 percent more than the same period last year. Meanwhile, transit goods destined for China via Hong Kong more than doubled to $35.58 billion [Hong Kong dollars].

Rising protectionism in the United States and an economic downturn in Europe have resulted in sagging markets for Hong Kong exports this year. As Hong Kong exports to those places shrank, only its trade with China registered an increase, a development which helped cushion the adverse impact of declining exports.

The Chinese mainland has consistently exported more to Hong Kong than it imported. This year, however, it ran up a deficit in its trade with the colony. Nevertheless, the mainland remains the largest source of Hong Kong imports, selling merchandise worth $40.76 [Hong Kong dollars] billion to it, exceeding even those from Japan.

Expanding Business With the Interior

As Hong Kong's future became clear following the signing of the Chinese-British joint declaration, international financial institutions with offices in Hong Kong have been seeking to expand their business to China, one after another. The International Commercial Credit Bank, Citibank, N.A., Hang Seng Bank, Chase Manhattan Bank, the Chartered Bank, the Bank of Belgium and Huabi [5478 3024] Bank have successively set up branches or offices in special economic zones, or open cities this year. A good number of foreign banks have expanded the scope of their operations in China from consultation to lending, deposit-taking and foreign exchange remittances. The Hong Kong and Shanghai Banking Corporation alone has extended credit to more than 200 projects in the interior. The International Commercial Credit Bank has been helping the interior open up markets in the Middle East and Africa, and import advanced technology and equipment from countries in Europe and the United States. Hong Kong banks have made loans worth more than $3 billion [Hong Kong dollars] to mainland projects so far this year, about 1.5-fold of what they loaned in 1984.

Even more corporations from around the world opened shop in Hong Kong in 1985 to gear up for the China market. In a notable move, Wang Laboratories, Inc. recently moved its Asia-Pacific headquarters from Hawaii to Hong Kong. Zhi Lin Engineering Co., a member of the British firm of Wei Dang Co., hopes to provide electrical engineering technology to the interior from its base in Hong Kong. Eight well-established French companies have also opened offices in Hong Kong and already concluded several contracts with the interior for cooperation in the food industry.

This year also saw another gratifying phenomenon. In the past, Hong Kong manufacturers who invested in the interior were quick to remit their profits to Hong Kong. Nowadays some investors are plowing back into their business in China the profits they have earned there.

Growing Mainland Investments in Hong Kong

At the same time as Hong Kong is investing heavily in the interior, there is a reverse and expanding flow of capital into the colony. Mainland investments in Hong Kong can be found in such areas as finance, real estate, shipping, transportation, industry, trade, construction, department stores, publishing and printing, to name a few. According to Hong Kong Trade Development Council estimates, Chinese investments in Hong Kong in recent years amounted to $30 billion [Hong Kong dollars].

The Bank of China Group has become a force vital to the stability and prosperity of the Hong Kong economy. The group embarked on an extensive round of lending this year to support industrial and commercial developments. Its targeted lending to industry, in particular, has boosted the competitiveness of Hong Kong industry. When turbulence hit the financial market, moreover, it acted to preserve the stability of the Hong Kong market in concert with the Hong Kong government by buying and selling foreign exchange and through other financial transactions.

Together with its subsidiary companies and enterprises, China Resources (Holding) Co., Ltd., touted as the mainland's "flagship" company in Hong Kong trade, has been successfully diversifying its operations from trade into such disparate fields as industry, shipping, warehousing and general merchandising. The China Merchants Steam Navigation Co has expanded into a holding company with almost 200 subsidiaries and affiliated concerns. Recently the Hong Kong China Travel Service has also reorganized as a holding company with an expanded scope of operations.

Since the beginning of this year, trade organizations have been set up in Hong Kong by a number of provinces and municipalities which have never done so before. Besides trade, these organizations also engage in other forms of economic cooperation. For instance, Shenzhen's Shenye Holding Co., Ltd. is sinking $600 million [Hong Kong dollars] into a joint venture with Japanese interests to build a hotel in Hong Kong. The Huamin Holding Co. of Fujian is investing in real estate, industry, finance, tourism and restaurants, etc.

To meet Hong Kong's needs, a number of industrial and mining enterprises in the mainland began setting up plants in Hong Kong as joint ventures in 1985. This will be a step forward for Hong Kong industry.

12581
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INCREASE IN HONG KONG-MAINLAND COOPERATION EXPECTED

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 46, 18 Nov 85
pp 6, 16

[Article by Huang Diyan [7806 3321 1484], director of the Hong Kong and Macao Administrative Office of the Bank of China: "China's Blueprint for the "Seventh 5-year Plan" and Economic Cooperation Between Hong Kong and the Mainland"]

[Text] On 23 September 1985, the National Conference of Party Delegates of the Communist Party of China adopted the "Proposal of the Central Committee of the Communist Party of China for the Seventh 5-Year Plan for National Economic and Social Development." This proposal has not only drawn up a magnificent blueprint for China's economic and social development from 1986 to 1990 but also provided a new prospect for the development of economic cooperation between Hong Kong and the mainland.

Since the 3d Plenum of the 11th CPC Central Committee, at the end of 1978, set forth the policy of invigorating the domestic economy and opening to the outside world and since reform of the economic structure was carried out in 1984, China's economic appearance has undergone vast and profound changes. The original outdated economic model unsuitable for the productive forces of society is now being gradually replaced by a new economic model and a new lively situation has been created in China's national economy. Industrial, trade, tourist, and financial relations and cooperation between Hong Kong and the mainland have developed substantially and become a new motive force for Hong Kong's economic prosperity and development. In the past 6 years, the total value of trade between the two areas increased 7.8-fold, an average of 43.6 percent per year. Of this, Chinese goods shipped to Hong Kong increased 4.3-fold, an average increase of 32 percent per year; Hong Kong goods shipped to the mainland increased 138.3-fold, an average increase of 1.28-fold per year; and foreign goods shipped to the mainland via Hong Kong increased 130.1-fold, an average increase of 1.25-fold per year. Investment cooperation between the two areas has also developed very rapidly. Hong Kong has agreed to invest a total of $6.69 billion on the mainland. The proportion of pledged Hong Kong investment in the total amount of pledged foreign investment in China reached 57.9 percent in 1983. By 1984, it climbed to 62.8 percent. Organizations on the mainland and Chinese enterprises located in Hong Kong have continued to increase their investment in Hong Kong. According to the statistics of the Hong Kong Trade Development Bureau, the total amount of such investment is HK$30 billion. Hong Kong banks have granted a considerable amount of funds in loans for the construction projects of the mainland. In 1984, the Chinese banking group signed more than 500 investment agreements for the construction projects of the mainland and provided HK$4.1 billion of funds, equivalent to 1.6-fold of the sum total of the previous 4 years. Other banks have also paid more and more attention to the China market. Some set up branch offices in China as early as 1979. In the past 6 years, they have provided for foreigners investing in mainland China a huge amount of funds in loans to cover hundreds of investment projects. According to incomplete statistics, since the begining of 1985, Hong Kong banks have raised over HK$3 billion in bank loans for the investment of projects in mainland China, approximately 1.5-fold of 1984's figure. In addition, since the promulgation of "the Regulations for the Control of Foreign-Funded Banks and Sino-Foreign Joint Venture Banks in Special Economic Zones," the Hong Kong Exchange Bank, the Oriental Exchange Bank, the International Commercial Credit Bank and the Standard Chartered Bank have been approved to set up branch offices in Shenzhen SEZ. The Pan-Indian banking group has joined investment with mainland China to organize the Xiamen International Bank in Xiamen SEZ and extend direct local services.

"The Proposal for the 'Seventh 5-Year Plan'" has extended and consolidated various important economic policies and measures implemented in China and stressed the need to continue to strive to meet the general demand for building socialism with Chinese characteristics, to implement the general principle of invigorating the domestic economy and opening to the outside world and to help the people in China become comfortably well-off by the end of this century. Based on the conception of the "proposal," during the "Seventh 5-year Plan" period, China will give top priority to the reform of the economic structure, eliminate age-old malpractices that restrict productive forces, push to a new stage the all-around economic structural reform centered in urban areas, suit the reform to construction and make them support each other; achieve a basic balance between aggregate social demand and supply and enable accumulation to maintain a proper ratio to consumption; pay special attention to improving economic results, especially the quality of products, correctly handle the relations between quality and quantity and between results and speed; and vigorously strengthen the building of socialist ideological civilization while promoting the building of material civilization. With regard to foreign relations, the "proposal" reiterates that opening up is China's basic national policy. During the "Seventh 5-year Plan" period, China will, in accordance with the principle of independence, equality and mutual benefits, further strengthen economic and trade relations and technological exchanges with all countries including developed and developing countries, continue to relax control and give more preferential treatment for foreign investments.

It is expected that along with the implementation of China's "Seventh 5-year Plan" and the steady development of the economy, economic ties between Hong Kong and the mainland will become closer and closer, bringing about a new situation of steady expansion.

The "proposal" suggests that during the "Seventh 5-year Plan" period, China give better play to the role of forward positions in opening to the outside world. This enables Hong Kong to continue to take advantage of its favorable location.

During the "Seventh 5-year Plan" period, China's special economic zones, coastal open cities, the Zhujiang and Changjiang deltas, the triangular area in southern Fujian and the Liaodong and Jiaodong peninsulas will shoulder an extremely important task in developing foreign trade, using foreign capital and importing technology. Its main point is to readjust the industrial lineup according to export needs and enable more competitive commodities to enter the international market. While vigorously importing technology, special economic zones will gradually shift the focus of production to exports and strive to earn more foreign exchange. Guangdong and Fujian, in particular, will continue to implement special policies and flexible measures. The latest development is that in order to encourage more overseas Chinese and compatriots from Taiwan, Hong Kong and Macao to invest in the mainland, Fujian Province will give many kinds of preferential treatment regarding taxes, profits and land fees. One of the preferential treatments is to exempt enterprises established in areas other than economic and technological development areas from income taxes for 3 years after they begin to make profits. In the remaining years, they may enjoy other kinds of reductions and exemptions. Guangdong Province has also approved that scores of major industrial satellite towns in the Zhujiang delta may enjoy many kinds of preferential treatment in opening to the outside world, including the exemption of customs tariffs, import duties and appreciation tax for the imports of advanced equipment and other kinds of tax exemption or reduction for joint ventures and cooperative enterprises. Following this, many special policies and flexible measures will continue to increase. It is expected that under the condition that the central government vigorously supports regions in opening up to the outside world, foreign investment will be needed in many aspects of industry, trade, transportation, finance and other sectors. Hong Kong is the south gate of China. It is close to open zones. It also has relatively good economic foundations and facilities. Its favorable position cannot be compared with other countries or areas. Hong Kong's industrial and commercial circles should, on the existing basis, further strengthen cooperation relations with the special economic zones and open cities of the mainland and, in accordance with the development plans of special economic zones, gather foreign capital of all kinds, choose a correct orientation of investment and seek more opportunities for development.

The "proposal" suggests that during the "Seventh 5-year Plan" period, China strengthen the technological transformation, reconstruction and expansion of existing enterprises and arm all sectors of the national economy with advanced equipment and technology. This is conducive to further strengthening industrial and trade cooperation between Hong Kong and the mainland.

According to the assumptions of the "proposal," during the "Seventh 5-year Plan" period, the technological transformation of China's enterprises will be focused on large- and medium-sized enterprises which have a bearing on the overall situation of the national economy, back-bone enterprises which, after being revamped, can play an exemplary role in the technological progress of their industry, as can enterprises which have export tasks. Judged from the development of the situation, China's industrial production from now on will to a very great extent depend on the technological transformation of existing enterprises. Through technological transformation, existing enterprises will be able to produce high-quality products more economically and efficiently to meet market needs and reduce reliance on the direct importation of consumer goods. At the same time, in the course of importing advanced technology and managerial experience, investment will be focused on the production of export commodities that can earn more foreign exchange to coordinate enterprises in achieving two changes in the lineup of export commodities--from mainly exporting primary products such as raw materials to mainly exporting finished products and from mainly exporting products of rough processing to mainly exporting products of fine processing. This will help to continuously improve product quality, upgrade original products, develop new products, push more products into the international market and increase the ability to earn foreign exchange. The technological transformation, reconstruction and expansion of China's enterprises and changes in the production lineup of export commodities will provide new opportunities for investment cooperation and trade with businessmen of foreign countries and Hong Kong. As far as Hong Kong businessmen are concerned, there are at least three good opportunities: 1) They can cooperate with old enterprises on the mainland. They can take advantage of their relatively abundant foreign exchange funds, relatively high technological and managerial levels, relatively wide export markets and quick access to information to help the old enterprises of mainland China carry out technological transformation, reconstruction or expansion projects. At the same time, they can also take advantage of the abundant labor and material resources and broad markets of the mainland to break through the limitations on the industrial development of Hong Kong. 2) In accordance with the needs of mainland enterprises for expanding production and upgrading technology, they can strive to import more factory machinery, technological software and auxiliary equipment for the mainland. 3) They can help the mainland improve product quality, develop new products, enter the international market and continue to maintain Hong Kong's role as an entrepot for products made in China.

The "proposal" suggests that during the "Seventh 5-year Plan" period, China should strive to use, through all forms, as much foreign funds as possible to speed up China's economic construction. This is conducive to further strengthening financial ties between Hong Kong and the mainland.

According to the assumption of the "proposal," during the "Seventh 5-year Plan" period, more foreign commercial loans should be used for economically better developed regions and projects that can yield good economic results, earn more foreign exchange or turn out products to replace imported goods. As the third largest financial center of the world, Hong Kong should be able to play a better role in raising and circulating funds for the mainland. It is certain that from now on, financial ties between Hong Kong and the mainland will be further expanded and pluralized. The number of financial organizations and enterprises on the mainland using the capital market of Hong Kong to pool and circulate funds will increase as each day goes by. And so will the variety of forms for pooling funds. The number of Hong Kong's financial enterprises establishing branch offices in the special economic zones and open cities of the mainland and the number of financial service organizations jointly established by Chinese and foreign investors will also increase gradually.

To sum up, in the next 5 years, along with the implementation of the "Seventh 5-year Plan," China's national economy will witness a new situation of steady development and make new strides on the road toward a strong and prosperous nation with a wealthy and happy people. The development of the economic situation of the mainland will inevitably tighten economic cooperation and ties between Hong Kong and the mainland and therefore continue to cause positive effects on Hong Kong's economic development in the next 5 years. Hong Kong's entrepreneurs who are always known for their ambition, sensitivity, adaptability and hard work ought to be able to seize the good opportunity and, based on the information provided by the "proposal for the 'Seventh 5-year Plan'" and in accordance with their own concrete conditions, readjust business strategies, vigorously open up new fields and find new ways of cooperation between the two areas, create a new situation in China's business development and make contributions to economic development of both areas. In the future, the Chinese banking group will, in light of the implementation of China's "Seventh 5-year Plan," make still greater efforts to continuously accelerate the economic cooperation between the two areas and maintain the prosperity and stability of Hong Kong. At the same time, we hope that the special economic zones, open cities and concerned enterprises of the mainland make better use of this nearby international trade, financial and information center of Hong Kong and give full play to Hong Kong's positive role in expanding foreign economic relations and trade and technological exchanges.

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FOREIGN TRADE AND INVESTMENT

DALIAN'S TECHNOLOGICAL IMPORTS PAY OFF

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Article by Yan Xichen [3508 1119 2525]: "Dalian's Drive To Import and Assimilate Technology"]

[Text] Measures introduced by Dalian to import advanced technology and encourage enterprises to absorb and assimilate it have produced satisfactory results.

Since 1979, the municipality has imported almost 400 pieces of technological equipment to modernize its enterprises, of these 180 pieces have been completed and put into production so far. Through concerted efforts by the factories, scientific research units and colleges and universities concerned under the joint direction of the municipality, 76 projects have been absorbed, assimilated and popularized to varying degrees. Of the 380 new products developed by Dalian, about half reach or approach the technical standards of similar foreign products, and fill a technical vacuum in the nation.

Essentially Dalian absorbs and assimilates imported technology in the following ways:

First, joint production. By importing a complete set of technological equipment, enterprises have been able to come up with new products within a short period of time. This method made it possible for Dalian Heavy Machinery Plant to develop, little by little, in just a short time a small-scale continuous casting system up to a standard comparable to that of its international counterparts. Other factories concerned have successfully trial-manufactured over 80 large-scale new products like a diesel engine for low-speed ships, oil-drilling platforms, revolving hanging cranes and a bimetal hydrophobic valve.

Second, use imported prototypes as a model, and innovate; the idea being to surpass the original. Starting with a few relatively simple products and then moving on to more sophisticated ones, Dalian has absorbed the technology and models it imported and created new products out of them. This process requires little capital and produces good and speedy results.

Third, take the good points of imported equipment and use them to remedy the shortcomings in existing facilities.

Fourth, import only key technology and develop our own software.

In organizing the absorption and assimilation of imported technology, Dalian has taken pains to coordinate the relations between units which import technology and others which manufacture parts and components. When the project in question is complex and involves several units, the authorities concerned bring together every interested party to tackle it jointly. To support the absorption and assimilation of imported technology, Dalian has formulated a set of policies relating to tax, loans, prices and incentives. In terms of management, the municipality has implemented a contracting system and economic contracting responsibility system to make sure that projects which have been assimilated are really put to use. These measures have given the assimilation of imported technology a powerful push.

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CSO: 4006/670

CHEMICAL INDUSTRY URGED TO INCREASE EXPORTS

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Article by Li Hongmei [2621 4767 2734]: "Chemical Industrial Trade Grew Rapidly in 'Sixth 5-Year Plan'"]

[Text] Chemical industrial exports will grow 19 percent per year during the "Seventh 5-Year Plan." The aim is to export 1.05 million tons of chemical products by 1990. At the same time, major efforts will be made to step up the export of chemical industrial equipment and technology, expand labor cooperation and intensify bidding for engineering projects. We will also try to use foreign capital and import and digest technology successfully. The amount of foreign capital to be attracted under the "Seventh 5-Year Plan" is expected to double that under the "Sixth 5-Year Plan."

Those words were spoken by Lin Yincai [2651 3009 2088], vice minister of chemical industry, at the national chemical industrial imports and exports conference.

Referring to the performance of the Ministry of Chemical Industry in foreign economic relations during the "Sixth 5-Year Plan" period, Comrade Lin Yincai said, "According to incomplete data, chemical industrial exports and imports may reach $19.9 billion, up 70 percent over the 'Fifth 5-Year Plan' period. A total of 466 pieces of advanced foreign technology and key equipment were imported, including over 300 midsized and small projects. More and more of the imports are being used to modernize existing enterprises. The methods of import are becoming increasingly diverse and the list of supplier nations is also lengthening. The digestion and assimilation of imported technology, too, is beginning to pay off. During the last few years, the ministry assimilated the technology of the advanced equipment which we imported to make large-scale synthetic ammonia, urea, petrochemicals and chlorine alkaline, among others. In some cases, we are now able to manufacture our own equipment. For instance, after digesting and assimilating the imported technology, we designed and manufactured, on our own, equipment capable of producing 60,000 tons of synthetic ammonia a year. The equipment is now sold abroad in complete sets. As far as project contracting, labor cooperation, the export of single pieces of equipment and processing with foreign materials are concerned, we have been in touch with over 60 companies in 20 nations. The use of foreign capital and other forms of economic and technical cooperation have also borne fruit."

Lin Yincai said, "During the 'Seventh 5-Year Plan,' we must firmly adhere to the goals of reform, the open door policy and economic invigoration; give top priority to the improvement of economic results, particularly the improvement of product quality, in order to increase our exports and foreign exchange earnings. We must vigorously open up new international markets, expand labor cooperation; make use of foreign capital and imported technology, and further broaden all kinds of external economic and technical cooperation. Simultaneously, we must enhance our ability to digest and assimilate imported technology, and come up with inventions based on them to speed up the modernization of China's chemical industry."

Lin Yincai pointed out, "To expand exports, we must step up quality control. In the future, all enterprises assigned export tasks must adopt international standards or advanced foreign standards in their production. Moreover, we must work hard to improve packaging and make it scientific, standardized and systematic." He emphasized, "The key to increasing exports and boosting foreign exchange income is to secure stable supply sources. Consequently, it is extremely important that we accelerate the construction of an export production system of chemical industrial products and equipment. We must select a group of well-established and well-qualified factories and mines to be export bases. The fuel, energy and raw materials requirements of enterprises producing for the foreign market should be given priority. So should technical modernization projects which will increase exports, earn more foreign exchange and produce better economic results. Whenever there is a conflict between export and domestic sales, the latter should yield to the former."

Lin Yincai said finally, "Today our chemical industry already has some rather sophisticated technologies and processes which reach international standards and can compete in the world markets. We must build up an international reputation, increase our impact and try endlessly to bring out new exports and boost foreign exchange earnings."

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SHARP INCREASE IN NATIVE PRODUCE, ANIMAL BYPRODUCT EXPORTS

Beijing RENMIN RIBAO in Chinese 30 Dec 85 p 1

[Article by Liang Shiyu [2733 0013 3842]: "Native Produce and Animal Byproduct Exports Grew Strongly Under the 'Sixth 5-Year Plan'"]

[Text] During the "Sixth 5-Year Plan," the export of China's native and animal husbandry products has been markedly successful, it has been learned from the recent managers' meeting of the China National Native Produce and Animal Byproducts Import and Export Corporation. Native produce and animal byproduct exports and imports amounted to $14.9 billion, an increase of 75 percent over the "Fifth 5-Year Plan" figure of $8.5 billion. Exports accounted for $11.7 billion of the total, up 56 percent over exports in the "Fifth 5-Year Plan." They constituted 10.15 percent of all Chinese exports.

Deputy General Manager Chen Shulan [7115 3219 5695] told reporters, "Since the beginning of this year, Western capitalist economies have slowed down and the international market for native produce and animal byproducts continues to weaken. Within the country, the restructuring of the economic and trade systems is under way and there are areas in which we are not keeping up with the pace of reform, managerially. All this has posed definite problems for the completion of the export plan. Under the correct leadership of the higher authorities, however, the army of workers in the native produce and animal byproducts sector has made concerted efforts to accomplish the plan. As of early December, exports in effect reached $2.392 billion, $85 million more than what was exported by early December a year ago."

Chen Shulan said, "Some gratifying changes have occurred in the composition of China's native produce and animal byproduct exports under the 'Sixth 5-Year Plan,' primarily the shift from raw materials to manufactured products and the development of new products for export. Vast quantities of down goods and rabbit furs are now entering the international market." The deputy general manager said, "The corporation will firmly uphold the policy of unified export, raise product quality and improve services to make sure that next year's export plan is fulfilled." She said, "Apart from further consolidating and expanding our markets in Hong Kong, Macao, Japan, the European Economic Community and the United States, we will devote ourselves to tapping new markets, especially those in the Soviet Union and Eastern Europe."

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PREFERENTIAL TREATMENT FOR FOREIGN INVESTMENT IN NEI MONGGOL

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 28 Nov 85 p 1

[By He Qi [0735 0366]: "Nei Monggol Will Give Preferential Treatment to Foreign Investments"]

[Text] Bai Junqing [4101 0193 0615] (Monggol nationality), vice chairman of Nei Monggol Autonomous Region, will lead a government delegation in a visit to Hong Kong within the next few days and attend the Nei Monggol Economic and Technological Project Announcement Meeting scheduled to be held in early December.

Prior to departure, Bai Junqing told reporters that the purpose of holding the announcement meeting was to seek further economic and technological cooperation with the industrial and commercial circles of foreign countries and the Hong Kong and Macao area. He said that the meeting will announce 54 cooperation projects of such industries as farm and animal products processing, building materials, electronics and machine-building.

He said that in order to welcome foreign businessmen to invest in Nei Monggol, the autonomous region recently formulated preferential conditions for foreign economic and technological cooperation.

It is reported that fees and charges on various enterprises established by foreign businessmen in Nei Monggol are 30 to 50 percent lower than those in coastal cities; labor payment for building various enterprises is 10 to 20 percent lower than that for building similar enterprises in other provinces and municipalities; in addition to income tax exemption and reduction specified in the state law on the income tax of wholly-owned foreign enterprises and joint ventures, cooperative enterprises may continue to enjoy 15 to 30 percent of income tax reduction in the next 10 years, according to the reality of Nei Monggol; wholly-own foreign enterprises or cooperative enterprises may be exempt from some taxes if their annual profits are less than 1 million yuan; and foreign businessmen may remit foreign exchange profits as their lawful income to foreign countries through the branch office of the Bank of China in the autonomous region.

Bai Junqing said that compatriots from Taiwan, Hong Kong and Macao and overseas Chinese will enjoy more preferential conditions than those stated above when they come to invest in Nei Monggol.

He said that in the past 7 years, Nei Monggol has received hundreds of businessmen from more than 20 countries and the Hong Kong area, and attracted $50 million in foreign capital by signing 26 economic and technological contracts in the forms of joint venture, cooperative enterprises, rents and leases.

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BRIEFS

COTTON EXPORTS TO POLAND RESUME--In the 1950's, China once exported cotton to Poland. Later on, because domestic demand increased and production fell behind, China became, and remained,a cotton importing country for many years. As a result, China's exports to Poland was suspended. This year, China resumed cotton export to Poland for the first time after it was suspended for 30 years. Poland is very interested in and attaches great importance to cotton imports from China. A representative of the Poland Textiles Corporation, who went to China in February this year to sign a cotton contract, said: "Polish consumers are very satisfied with the quality of Chinese cotton. The strong points of Chinese cotton are thin fiber, evenness, high intensity and little impurities. Its only weakness is bulky light-weight packaging." The vice chairman of the Polish cotton association said that due to a limited processing capacity, Poland's annual demand for cotton will remain at about 150,000 tons, of which, 20,000 to 30,000 tons may be imported from China. Poland wants to buy 3,000 tons of long-fiber cotton in addition to medium-fiber cotton. Besides, Poland also wants to purchase a considerable amount of cotton yarn and unfinished cotton. (According to published statistics, Poland imports about 6,000 tons of cotton yarn every year, mostly from the West, and 11,000 square meters of unfinished cotton, two thirds from the West.) [By Xu Dongzhou [6079 2639 3166]] [Text] [Beijing GUOJI SHANGBAO in Chinese 14 Oct 85 p 3] 12302

GUANGXI OVERFULFILLS EXPORT QUOTA--By 10 November 1985, Guangxi Zhuang Autonomous Region had already overfulfilled its annual export plan, recording a 15 percent increase over the corresponding period of 1984 and an all-time high in history. In 1985, the state properly readjusted the ratio of foreign exchange earnings from exports to be retained by Guangxi, thereby arousing the enthusiasm of all export goods supply units for earning foreign exchange. Now Guangxi exports more than 2,500 kinds of commodities. [Text] [Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Nov 85 p 1] 12302

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SPECIAL ECONOMIC ZONES

FINANCIAL TASKS OUTLINED FOR SHENZHEN SEZ

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 pp 48-49

[Article by Wang Xiyi [3769 0823 5030]: "The Financial Situation and Proposals for the Current Work of the Shenzhen Special Economic Zone"]

[Text] The Financial Situation and Characteristics of the Shenzhen SEZ

At present, the financial situation of the Shenzhen SEZ has the following characteristics:

1. Finance is the main pillar of construction in the SEZ. This is demonstrated in the following areas: 1) With regard to the proportion of bank loans in the economic construction funds of the SEZ, fixed-asset loans accounted for over a third by the end of 1984 and circulating fund loans accounted for over 80 percent of the total circulating funds of enterprises. 2) The SEZ has established a financial system consisting of four categories of financial organizations--state banks, which occupy a dominant position, non-bank financial institutions, foreign banks, and collectively-owned credit cooperatives--each exercising functions in a different field. 3) Banks in the SEZ have developed many kinds of financial services. For instance, they have issued developmental loans to support the construction of industrial, tourist, and commercial districts; offered loans for investments in the form of partnership; initiated commercial housing loans to accelerate the commercialization of housing in the SEZ; issued loans for the imports of advanced technology and equipment to help transfer Shenzhen's economy to an export-oriented economy; organized domestic financial institutions or joined efforts with foreign banks to issue loans as a banking group; and offered such services as mortgage loans to enterprises owned by foreigners, by overseas Chinese, or jointly by Chinese and foreigners. 4) The SEZ has started many businesses through banks, summed up and accumulated experiences, developed modernized financial services, gradually created a good environment for investment, and absorbed more foreign funds.

2. The funds of the SEZ are diversified and changeable. They include local investment, joint investment with concerned departments at various levels, and foreign investment. They also include state appropriations, credit funds, and enterprises' self-owned funds. Some funds belong to the state; others belong to the collectives and individuals. The diversity of the funds makes the funds

useful in different fields and under different circumstances. It has also broadened the range for banks to circulate funds through the means of credit. However, we should also notice that the funds of the SEZ vary constantly. This is because compared with other areas in inland China, the SEZ has more joint investment with inland China and foreign investment; therefore, it is more affected by the economic situation of inland China and foreign countries. Banks are also subject to more influence and changes when they circulate funds in this regard. We must face the fact that the credit funds of the SEZ vary constantly and safeguard the stability of funds in the SEZ. To do so, we should augment the economic strength of the SEZ with regard to credit and increase the inherent appeal of the economy in the SEZ. This is an important financial task for the SEZ.

3. Various currencies are circulated simultaneously in the SEZ. During and before the initial period of the founding of the SEZ, Shenzhen used RMB for pricing and circulation of commodities. After the SEZ was completely open and along with the development of foreign economic relations and tourism, foreign exchange notes and Hong Kong dollars entered the market, resulting in the simultaneous circulation of three currencies. This situation has a definite, positive effect on invigorating the economy, promoting the open-door policy, and opening up the closed-door economy. However, when three currencies circulate simultaneously in Shenzhen, which is sandwiched between inland China and Hong Kong, the price of the same kind of commodity varies when traded in different currencies; therefore, the situation has also brought about some negative results such as illegal trading of foreign exchange and thereby reduced the value and credibility of RMB in this area. As a result, this situation has created arduous and complicated tasks and set forth higher demands on the financial departments of the SEZ. Efforts should be made to gain new understanding and sum up experience with regard to the scope of currency issue and withdrawal, channels and the pattern of circulation, etc.

4. The economy of the Shenzhen SEZ is in for a change of orientation. Shenzhen is undertaking a large scale of construction beginning with the development of commercial and real estate businesses. There is more infrastructure construction for the purpose of consumption than of production. The production increase rate is high but the economic results are poor. In 1984, the industrial output value increased 15 percent (as against the 14.2 percent of the national figure) but the profit rate of output value was only 9 percent (as against the 14 percent of the national figure). The product mix is uneven. There are very few hot-selling products. A large proportion of goods are sold on the domestic market. To support the change of orientation in the economy, financial work should also keep in step and undergo a series of changes. Banking work should reduce funds to help reduce the scale and speed of construction while helping raise efficiency, increase the production of hot-selling products and goods that can bring in foreign exchange, and facilitate the transfer of the economy to an export-oriented economy.

5. The financial work of the SEZ is faced with the developed financial market of Hong Kong. The fact that the trade and financial relations between Shenzhen and Hong Kong have increased and that free and quick access to information are available through the numerous Hong Kong-based institutions of the Chinese banking group has made it possible for Shenzhen's financial departments to

learn from Hong Kong's experience and knowledge of international finance. It has also made it easier for Shenzhen's financial departments to use Hong Kong's financial market, broaden their field of vision, and render better service for the development of the SEZ.

Things To Be Done by the Financial Departments of Shenzhen

There are many things waiting to be done by the financial departments of the Shenzhen SEZ. They should set long-term fighting goals and make short-term arrangements as well. They should tackle one job at a time in the order of urgency and importance and in accordance with existing conditions and the capacity of manpower. Things to be done in the near future are mainly as follows:

1. Study ways to solve the problem of fund shortage in the SEZ. At present, the SEZ is short of funds. To solve this problem, we should start with the following tasks: 1) Use existing funds where they are needed most, handle each case on its merits, and avoid "uniformity." Import and export projects on which contracts have already been signed should be treated differently. When making arrangements for circulating fund and fixed-asset loans, emphasis should be put on developing existing production capacity. Priority should be given to supporting the production of export products instead of products to be sold on the domestic market. Units with good economic results should be treated differently from those with poor economic results. 2) Activate inactive funds, locate existing inactive funds, and study measures to activate them on the basis of analyzing the composition and distribution of credit funds in the SEZ. 3) Banks should concentrate energies on circulating funds. The people's bank should double efforts to redistribute funds and serve specialized banks; strengthen the lending and borrowing relations between different banks and between banks here and banks in inland China; organize foreign funds for units which have the ability to pay back in foreign exchange and follow the procedures of examination and approval to raise funds for them; issue financial bonds to pool funds needed in the last stage of capital construction projects and circulating funds for putting projects into production and issue high-interest loans with high-interest deposits.

2. Solve the problem of credit funds distributed mainly piecemeal. Funds extended to the SEZ by various banks are controlled in a unified manner by the headquarters of the people's bank and allocated piecemeal to the Shenzhen branch offices of the people's bank. Because Shenzhen is a small area and has a very limited capacity for the redistribution of funds, the headquarters should give the Shenzhen branch a regulatory fund to be used as temporary working funds during the year. This is conducive to the unified arrangement and use of the SEZ's credit funds. It can also pave the road for the SEZ to establish an independent and balanced financial system.

3. Open a money market as soon as possible and organize funds through multifarious channels. It is necessary to break through the narrow view of depending only on deposits for pooling funds and open up a money market by practicing trust investment, issuing stocks and bonds, and opening up stock exchanges. After a money market is open, "negotiable prices" should be allowed for some capital. In other words, interest rates should be allowed to float

within a fairly large range. This can on the one hand satisfy urgent financial needs and on the other, screen enterprises through high interest rates so that efficient enterprises will be tested while inefficient enterprises will be eliminated by high interest rates.

4. Change the SEZ's financial system to an export-oriented one. In the long run, the SEZ should depend on its own strength for its economic development. The accumulation of funds is determined by the economic development of the SEZ. The key to the development of the SEZ is to change the economy of the SEZ from domestic-oriented to export-oriented. This can be achieved mainly by gradually striking a balance between foreign exchange income and expenditure with a little surplus, selling the majority of products on the foreign market instead of the domestic market and depending on superior products to make money abroad instead of depending on preferential conditions to make money in inland China. In order to meet the needs of the development of an export-oriented economy, the SEZ's financial system should also be gradually changed to an export-oriented one. At present, the main tasks are: import foreign capital and support the imports of advanced technology and equipment; render better service for foreign trade and exports; gradually enter the international capital and gold markets; and develop foreign-owned banks and joint-venture banks and initiate off-shore businesses.

5. Strengthen investigation and economic information work. The investigation should cover both financial and economic affairs, both domestic and foreign affairs, both isolated and current cases of daily work and long-term strategic goals. Efforts should be made to collect and transmit information through the investigation and bring into play the functions of information feedback.

6. Pay attention to the financial legislation of the SEZ and exercise economic control according to law. The financial departments of the SEZ should, in accordance with national financial laws, systems, rules and regulations and in light of the characteristics of the situation of the SEZ, formulate laws, systems and rules and regulations for the SEZ, strengthen financial control of the SEZ according to law and make it possible for state banks, non-bank financial institutions, foreign-owned banks, and joint-venture banks in the SEZ to operate within the limits prescribed by the financial laws of the SEZ.

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SHENZHEN CREDITS TO INDUSTRY UP, COMMERCE DOWN

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Oct 85 p 3

[Unattributed article: "Great Change in the Direction of Shenzhen's Foreign Exchange Credits This Year; Industrial Credits Rose From 7 Percent Last Year to 55 Percent; Commercial Credits Dropped From 83 Percent Last Year to 36 Percent"]

[Text] Shenzhen, 23 Oct (CNS)--There have been conspicuous changes in the direction of foreign exchange credits since the beginning of this year as granted by the Shenzhen Branch of the Bank of China. In the first 9 months, industrial credits rose sharply; they accounted for 55 percent, while they were only 7 percent for the entire period of last year. Commercial credits in comparison dropped from 83 percent during the entire last year to 36 percent during the first 9 months of this year.

Xu Guowei [6079 0948 1218], assistant manager of the Shenzhen Branch of the Bank of China, told reporters of this news agency at the cocktail party on the occasion of the establishment of the "Shenzhen Industrial Development Credit Fund" that the shift in the direction of these credits indicated an adjustment made in accordance with the actual conditions and the developments at Shenzhen. In the last few years, priority had been given to commerce, tourism and capital construction in order to improve the investment environment, to increase attractiveness to foreign capital and to lay the foundation for the development of industry, because several years ago Shenzhen's foundation was very poor and was not capable of developing any kind of industry. By now a good investment environment has basically taken shape in Shenzhen, there is a fast turnover of funds for whatever commercial and tourist enterprises that have been established and foreign exchange outlay for them can be recovered. During the first 9 months of this year, $110 million have already been recovered. Since the start of this year, Shenzhen has concentrated its efforts on developing foreign trade-oriented industries, which is the reason why the focus in credits shifted toward industry.

Xu Guowei added that it is due to these circumstances that the "Shenzhen Industrial Development Credit Fund" was established. The fund has already granted a credit of $2.4 million to the Nanhai Petroleum Shenzhen Central Service Corporation to assist in their development work.

Xu Guowei said that the support of the foreign exchange fund of the Shenzhen Branch of the Bank of China, as started at the beginning of this year, will give certain industrial enterprises the opportunity to develop, such as, for instance, the Zhongkong Glass Factory, a Chinese-foreign joint venture, which was granted a credit of $700,000 for the importation of technical equipment.

It is learned that the Shenzhen Branch of the Bank of China has provided state-operated enterprises, foreign-financed and joint venture enterprises a total of 760 million RMB and over $760 million to promote the development of Shenzhen industries.

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SPECIAL ECONOMIC ZONES

SHENZHEN ECONOMIC FORUM RESULTS REPORTED

Beijing RENMIN RIBAO in Chinese 14 Nov 85 p 1

[By reporter He Yunhua [0149 0061 5478]: "The Country must support the Special Economic Zones; the Special Economic Zones must support the Country"]

[Text] A forum on the development of export-oriented industries in the Shenzhen Special Economic Zone [SEZ] recently sponsored by the State Council pointed out that the Shenzhen SEZ is a special economic zone of the whole country, the whole country should support the SEZ and the SEZ should serve the whole country.

At the forum, representatives of 18 departments and units of the central government conscientiously studied and discussed the question of how to develop export-oriented industries in the Shenzhen SEZ in the future. They thought that the establishment of the SEZ is an important part of the open-door policy. Managing the SEZ is not a task of one province nor one area where it is located. It should be a special economic zone of the whole country. All trades and professions in the country should treasure, show concern for and support the construction of the SEZ. Comrades working in the SEZ should also consider the situation as a whole, gain a foothold in the SEZ, keep in view the world, rely on inland China and wholeheartedly serve the whole country.

Participants at the forum thought that it was not easy for the Shenzhen SEZ to push more than 200 products into foreign markets and for the direct export sales of industrial products to account for 33.4 percent of the total value of industrial output within a period of only 6 years. The development of the Shenzhen SEZ is one of the achievements scored as a result of the implementation of the open-door policy since the 3d Plenum of the 11th CPC Central Committee that has attracted world-wide attention. At the same time, they also thought that there is still a great gap between the existing production capacity and level of the Shenzhen SEZ and the goal of building a export-oriented multi-purpose special economic zone. Further efforts need to be made to bring into play the advantages of the Shenzhen SEZ.

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SHENZHEN'S DEVELOPMENT OF EXPORT-ORIENTED ECONOMY

Shenzhen SHENZHEN TEQU BAO in Chinese 30 Sep 85 p 4

[Article by Li Ganming [2621 1631 2494]: "Zhou Weiping[0719 4850 1627], Deputy Director of the Hong Kong and Macao Economic Research Center, On Some Issues Regarding Shenzhen Special Economic Zone Developing an Export Oriented Economy."]

[Text] In early September in Guangzhou,this reporter interviewed Zhou Weiping, deputy director of the Hong Kong and Macao Economic Research Center and the assistant editor of the `Hong Kong and Macao Economy' magazine, on issues regarding Shenzhen Special Economic Zone developing an export oriented economy. The following is Zhou Weiping's discussion in part:

1. For the zone to develop an export oriented economy, it must first realize and utilize two big advantages--its high degree of openness to the outside and its close proximity Hong Kong.

Zhou Weiping believes that Hong Kong's advantage is its internationality; it is one of the most open areas in the world, a center for international trade and banking. Shenzhen, moreover, when compared to other domestic regions, has two main advantages: 1) it is the most widely open to the outside, has the largest area, and is the earliest comprehensive special economic zone to open up to the outside; and 2) it is closely linked with Hong Kong both historically and geographically. Other domestic special economic zones and coastal open cities do not have such advantages and these advantages will have long lasting effects. As the zone develops an export oriented economy, it should recognize and fully utilize these two unique advantages by actively fostering cooperation with Hong Kong, meeting each other's needs and helping each other forward. At the same time, Shenzhen is also in a pivotal position for domestic liaison between Hong Kong and countries abroad. Only by keenly recognizing and utilizing the two advantages above can the zone give full play to these four "door opening" roles.

2. Fully understanding the concept of open, two way and export oriented economies and the relationship of the three is very useful when putting them into practice.

Zhou Weiping said, special economic zones are a product of the policy of opening to the outside world, hence they must develop economies that are open. These economies are the direct opposite of closed economies; they are developed commodity economies,not self developed natural economies.Both open and developed commodity economies inevitably deal in domestic and foreign markets, and are open both internally and externally; in this way, they are also two way economies. At the same time,viewed from internal or external proportions,two way economies can also be divided into mainly export oriented or mainly domestically oriented types.Because Shenzhen possesses the two advantages already mentioned, it should, when viewed objectively and from the standpoint of central government demands, develop an export oriented economy. Here it must be emphasized that export oriented means only mainly export oriented,as distinguished from a mainly domestically oriented economy, and therefore does not imply isolation from the country's interior. Seen in this light, export oriented, two way and open economies are neither contradictory nor opposing; the three are inherently intertwined.Complete comprehension of this concept helps when attention is paid to the practice of playing up the zone's pivotal role in expanding domestic and foreign trade to expedite the modern construction of the country.At the same time, this will enable people to better understand that there is a process involved in its domestic-to-export transformation, and that its proportion of exports is gradually increasing. This transformation process demands vast amounts of work.

Zhou Weiping said further that there are two views on this issue worth noting: 1) "using such vague terminology as two way and open to simplify matters is not suitable" for the Shenzhen Special Economic Zone. The intention of this wording is clear enough; that is, the zone's economy can only be transformed from being domestically oriented to being export oriented. Basically,I agree with this view, because stressing the latter avoids misconceptions about the direction of Shenzhen's development which stem from people's poor undertanding of what open and two way economies are; and 2) "advocating a model `export oriented' special economic zone is a policy which in reality isolates inland markets. There is decidedly nothing progressive about this; it does not conform with objective requirements for developing a commodity economy." To me, this can only be termed a misunderstanding, because such a transformation does not imply policy of isolating inland markets.

3. Two additional views on tactical objectives for development of the Shenzhen Special Economic Zone

Zhou Weiping said that Liu Guoguang [0491 0948 0342], in his article in the August 9, 1985 issue of People's Daily, summarized the tactical goals of the zone thus: "to establish Shenzhen as a comprehensive, export oriented special economic zone, emphasizing advanced industry, simultaneous development of industry and trade, and integration of industry, trade and technology, with finance, tourism, services, real estate and farming, animal husbandry and fishing as sideline businesses;and change it into a new type of city with a rational structuring of production enterprises and advanced scientific technology where people are prosperous and where spiritual and material progress is highly advanced to make ever greater contributions to the socialist construction of the interior and the whole nation." I agree fundamentally with the way this is put, but I still want to add two points: 1) I want to especially mention the issue of earning foreign exchange. While no doubt the goal of advanced industry in the zone the zone is to earn foreign exchange by exporting, trades and businesses must also shoulder this responsibility. In describing tactical goals, therefore, the wording "the goal of exporting to earn foreign exchange" should probably be added to make the aim of becoming export oriented clearer and more precise; 2) the wording "...agriculture, animal husbandry and fishing as sideline businesses" can be improved to read "suitably develop highly scientific and modernized planting and breeding operations." Baoan County is part of the Shenzhen Special Economic Zone and has already been singled out as a base for developing planting and breeding operations, but Baoan County is not within the zone's boundaries. According to plans, only 100 square kilometers of land in the 327.5 square kilometer zone area can be developed. The rest is mostly hills and slopes, unfit for use by industry. Using this land for suitable development of highly scientific and modernized planting and breeding operations would increase foreign exchange income for the zone and spur development of an export oriented economy. But it should be noted that the zone should mainly foster the development of advanced industrial exports to earn foreign exchange; undertaking some highly scientific and modernized planting and breeding operations would not be contradictory to this development.

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SPECIAL ECONOMIC ZONES

CONTROL OF FOREIGN CAPITAL IN XIAMEN DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 11, 5 Nov 85 pp 25-27

[Article by Guo Chaomu [6753 2600 2606]: "Preliminary Discussion of the Control of Special Economic Zones Over the Use of Foreign Capital and the Importation of Technology"--Study of Foreign Economic Relations]

[Text] In the development of the construction of special economic zones, how to do a good job in the control over the use of foreign capital and the importation of technology is an important question concerning the success and failure of undertakings in special economic zones. This article will discuss some views on the question of control over the use of foreign capital and the importation of technology in the Xiamen Special Economic Zone.

Since its establishment in 1980, especially since its scope was extended to the entire island, the Xiamen SEZ has greatly speeded up the use of foreign capital and the importation of technology and made great achievements in this regard. According to statistics, by the end of 1984, it had signed a total of 152 agreements on the direct use of foreign capital involving a total investment of $696,362,600, of which, $382,543,600 is foreign capital. In 1984 alone, it signed 128 contracts on the direct use of foreign capital involving a total investment of $509,710,500, of which, $274,809,000 is foreign capital, accounting respectively for 84.2, 73.2 and 71.8 percent of the sum total during the 1980-84 period. Of all contracted projects, 35 have already been put into production. At the same time, 67 enterprises in Xiamen City have signed 103 contracts for the importation of technical equipment involving a projected total investment of 977 million yuan. The contracted deals are worth $230 million. Sixty-four pieces of technical equipment have arrived (of which, 44 have been put into production). After all the equipment is put into production, the Xiamen SEZ's output value will increase 978 million yuan and tax and profit delivery, 380 million yuan. In the course of using foreign capital and importing technology, the Xiamen SEZ has gained some experience in the control of the use of foreign capital and technology import and learned some control skills. However, many problems still exist. For instance, the starting point is low and scale is not big enough in imports; too much foreign exchange is spent but little is earned; much hardware but little software is imported; more products are sold to the domestic market than to the international market; and there are many labor-intensive projects than to the international market; and there are many labor-intensive projects but few technology- and knowledge-intensive projects. All these have made it impossible to meet the new demand of the economic development of the SEZ.

To accelerate the use of foreign capital and the importation of technology, increase social and economic results and give full play to its role as a window, the Xiamen SEZ still needs to do a good job in the following areas concerning the control of imports:

1. Further clarify guiding ideology and keep to the correct orientation in imports. The purpose of establishing SEZ in China is to use them as windows to accelerate China's four modernizations. The use of foreign capital and the importation of technology should be undertaken in close connection to the effort to give full play to the role of the SEZ as a "window." Compared with the other three SEZ's, the Xiamen SEZ has a superior location and natural environment for it is located in the center of China's "gold coast" and the hub of sea transportation. The Xiamen Island has many old enterprises, a relatively solid foundation of industry, considerable scientific and technological strength and ability to assimilate science and technology. The permission of the central government for the Xiamen SEZ to implement certain policies, free port in particular, has put the Xiamen SEZ in a more superior position. Therefore, it is necessary and possible for the Xiamen SEZ to have a higher starting point than that of other SEZ in the use of foreign capital and importing technology. Only by doing so can it give better play to its advantages and become a better "vanguard." Because of this, it should pay attention to the following issues in regard to guiding ideology and keeping its import orientation: 1) Import advanced technology in a concentrated effort to develop industry, import other projects accordingly, form a rational structural lineup and gradually develop Xiamen into a comprehensive SEZ: 2) emphasize quality instead of quantity in imports, judge and select projects on the basis of whether they are conducive to developing new technologies and fledgeling industries, transforming existing enterprises and opening international markets and bringing about three changes--from equipment trade to technology transfer, from labor-intensive to technology- and knowledge-intensive and from domestic-oriented to foreign-oriented; 3) keep to the overall and long-term point of view and correctly handle the relations between the immediate and long-term benefits of imports and between local and national interests; 4) make full use of the original industrial basis, link technology import closely to the transformation of old enterprises, upgrade old enterprises, try to avoid starting new ones and reduce capital construction investment; 5) import advanced scientific management techniques and methods while importing advanced technology; and 6) organize people to assimilate and absorb imported advanced technology and management methods, carry out innovation, transfer them as soon as possible to inland China and give full play to social and economic results.

2. Strengthen overall planning. Conducting overall planning of the use of foreign capital and importation of technology is an important question concerning to which direction the construction of the SEZ will develop and whether or not the purpose of establishing SEZ can be achieved. But in the past few years, the Xiamen SEZ has failed to do a satisfactory job in this regard and lacked overall planning. There are ideological as well as

practical problems involved here. Some comrades lack sufficient understanding of the significance of conducting overall planning of the use of foreign capital and importation of technology. They overemphasize the fact that the Xiamen SEZ is a SEZ that implements certain free port policies and a management system guided by planning and based mainly on market regulation. They even mistakenly believe that it is very hard to make plans ahead of time because foreign capital and advanced technologies are in other people's hands and we cannot control what others will give us. Instead of getting hold of all information, on the basis of clarifying the strategic ideas of the SEZ, make a development plan and then decide what to import, they often reverse the procedure--determine what to import first and then write feasibility reports. Sometimes, they even go ahead and import whatever foreign businessmen are interested in. Some projects are "special-favor projects" added by higher-ups. All this has made it difficult to avoid being taken or cheated and caused unnecessary losses to the state and serious impacts on the development of the SEZ. Therefore,d
caused unnecessary losses to the state and serious impacts on the development of the SEZ. Therefore,n capital and
importation of technology and strengthen overall planning. At the same time, it is also necessary to educate cadres at all levels, especially those directly engaged in foreign economic activities, demanding that they do everything strictly according to planned procedures. Those who violate the plan and do things in their own way should be criticized and educated. Those who cause serious losses will be held responsible for their conduct.

To strengthen the overall planning of the use of foreign capital and importation of technology, first of all, we should do a good job in the import plan of the SEZ as well as that of industries and enterpriese and establish an organic link between these plans, in accordance with the demand of the overall development plan of the Xiamen SEZ. At the same time, we should link these plans to the long- and short-term development plans of the national economy as a whole and strive to coordinate them with the overall development strategy of the national economy. Secondly, we should make full use of various forms of importation, make rational arrangements for the flow of foreign capital and the lineup of imported projects and technology and enable the Xiamen SEZ to have its own characteristics and emphasis. At the same time, we should carry out necessary readjustments in a timely manner concerning the contents of our plans according to the political and economic changes and the scientific and technological development of the world.

3. Measure the overall social and economic results of imported projects. Social and economic results on the use of foreign capital and importation of technology have a direct bearing on the future of the SEZ; therefore, in the course of using foreign capital and importing technology, the SEZ should measure both micro- and macro-results, both single-item and comprehensive results, both immediate and long-term results and both economic and social results. Although the Xiamen SEZ has made great achievements in import work in the past few years, some projects have failed to yield satisfactory results. For instance, according to statistics, between 1979 and 1984 the Xiamen SEZ spent $41.51 million and earned $4.5 million, averaging $10.80 per every $100 of investment. Even joint ventures and cooperative enterprises did not earn very much foreign exchange. Despite the fact that there were already three television set factories in the province, a company went ahead and imported a

television set assembly and production line which helped earn an additional 16.58 million yuan of income for the state in the year after it was put into production. However, since it only assembles modules and components and all products are sold on the domestic market, the market we gave up did not bring in and get hold of major technology. Originally we thought we could use it to bring along the technological transformation of Xiamen's electronics industry. As of today, this purpose has yet been achieved. Moreover, in 1984 letters of credit alone cost $2.67 million. Judged from the situation as a whole, the results of this import project ought to be considered as poor.

To measure the overall social and economic results of import projects, we need to design a series of goals, form a goal system and reflect the technical, economic, social and ecological value of an import project in a comprehensive manner. For instance, to reflect technical value we need such targets as technical composition rate including the rates of machinery equipment, power resources, electricity, labor funds and various other equipment, various technical parameters of automation and mechanization and the development and use rates of new energy resources and new raw and semi-finished materials. To reflect economic value we need such targets as the conservation rates of labor, raw and semi-finished materials, energy resources and funds, investment result coefficients, the profit delivery and tax rates of investment, the recovery rates of investment, cost profit rates, labor productivity, ratios between the labor and production levels of Chinese and foreign enterprises and the output, quality and foreign exchange earning rates of products. To reflect social and ecological value we need various comprehensive targets concerning labor conditions and other targets such as the conservation of total social labor, the effectiveness of environmental protection and the degree of pollution elimination. The target system for measuring the social and economic results of import projects is still being explored and studied. We should make further efforts so that we can measure their quantitative and qualitative value and achieve the best social and economic results, but we should not let this affect the current import work. To increase the social and economic results of current import projects, we should pay attention to the following links: 1) Organize imports strictly according to the plan. We should strive to organize people to carry out all projects in the plan and try to reject all projects that are not included in the plan to avoid losing control over the scale and undermining overall balance. 2) Strengthen feasibility study. According to the demand of the plan, we should conduct overall analysis and discussion of imported projects in regard to technical, engineering, economic and social respects, make scientific appraisal and provide a basis for policy decisions on imports, engineering designs, bank loans, talks and contracts to avoid mistakes in imports. 3) Adopt the pluralistic method of importing. We should implement the principle of diversifying the source of funds in using foreign capital, avoid importing only from a certain country or area and avoid relying on foreign countries. In importing technology, instead of limiting ourselves to a certain company, we need make more comparisons to give us more choices, have the initiative in our hands and reduce blindness. 4) Insist that experts participate in foreign inspection tours, talks and signing contracts and avoid such practices as passing incompetent people off as experts just to make up the number. 5) Implement the principle of mutual benefits. Those investors who use illegal means to infringe on the interest of our side and those people on our side who let personal relations get in their way and show generosity at the expense of the state should be punished by law and placed under serious investigation. 6) Do a good job in the import responsibility system and acceptance work.

4. Establish an information network and strengthen information work.

Judged from the current situation, the information work of the Xiamen SEZ is still very weak and cannot meet the needs of import work. Along with the economic construction and development of the SEZ and the increasing scale of the use of foreign capital and technology import, the quantitative demand of relevant information data will increase continuously. How to obtain, in a timely and accurate manner, useful economic information from numerous complex flows of information has already become the key to the success and failure of the SEZ in the use of foreign capital and importation of technology. Therefore, we must make great efforts to strengthen the information work of the SEZ. First, we should establish as soon as possible an information network. Initiated by a certain unit or center of Xiamen City, this network should absorb more units which have access to more information. In addition, it should be equipped with computers and modern communications technology and equipment to form a network with large cities in the inland areas, Hong Kong and foreign countries. Second, we should step up the efforts to bring in from abroad and train a group of information experts and provide them with sufficient conditions so that they can concentrate on their work. Third, we should begin collecting fees for information service to arouse the enthusiasm of all fields.

5. Further improve import control organs, tighten the control system and strengthen administrative leadership and professional supervision. In order to meet the needs of the use of foreign capital and importation of technology the Xiamen SEZ has done much work in this regard. But as the scope of direct import and export units expands and import projects continue to increase, import control organs and control system need to be further improved and tightened to strengthen administrative leadership and professional supervision and ensure a smooth progress for import work. In view of this, some comrades suggest that an import coordinating organ be set up under the leadership of the city government. This organ should be staffed with a definite number of full-time administrative and managerial personnel and then according to needs hire temporary specialists and invite concerned societies to participate mainly in the feasibility studies of import projects and the research of the assimilation and innovation of new technologies in addition to solving major technological problems. This is a noteworthy suggestion. Other import control organs should also be further improved and consolidated according to the needs of the development of the situation to seek highly efficient and simple administration. At present, the control system needs to be further improved in the following few areas: 1) Mete out new procedures for using and earning foreign exchange and ensure that all fields are considered while key points are guaranteed in using foreign exchange so that the money is used where it is needed most; encourage enterprises to earn foreign exchange and ensure that plans are fulfilled as scheduled. 2) Perfect the import responsibility system to ensure that somebody is in charge of every link of every import project to avoid dislocation in the process or disputes over trifles. The current import control system should be conscientiously summed up and further improved to

give better play to its functions. 3) Tighten examination, approval and acceptance systems. Those projects submitted for approval should be turned down if they have not undergone feasibility study or followed import procedures; no imported technical equipment will be allowed to go through relevant procedures if it is proved unacceptable. 4) Draw up a set of measures for carrying out domestic coordination and ensure that opening to the inland areas make effective use of funds and personnel.

6. Speed up the import and training of managerial personnel. In the past few years, the Xiamen SEZ, through the efforts of all fields, has imported and trained a large number of talented people. In spite of this, there is still a great demand for talented people, especially mangerial personnel. To ensure smooth progress in its imports, the Xiamen SEZ must, on the basis of investigation and study, formulate as soon as possible an appropriate personnel import and training program to quickly build a contingent of managerial personnel who are good at the use of foreign capital and technology import.

12302
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SPECIAL ECONOMIC ZONES

TAX POLICIES SUITABLE FOR XIAMEN DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 11, 5 Nov 85 pp 22-24, 5

[Article by Ge Nanxiang [5514 0589 5046] and Chen Bingrui [7115 3521 3843]: "A Probe Into Improvement of the Tax System in the Xiamen Special Economic Zone"]

[Text] To give full play to the role of special economic zones as windows they first must absorb foreign capital. To absorb foreign capital, creating a good investment environment that is attractive to foreign businessmen is a must and taxation is, of course, an indispensable link. In 1984, the CPC Central Committee and the State Council decided to expand the Xiamen Special Economic Zone to the entire island and, at the same time, announced that Xiamen may implement some free-port policies. Because of this, how to improve the tax system of the Xiamen SEZ to meet the need of the new situation is a problem requiring immediate study and solution. This article attempts to make a preliminary probe into the tax model of the Xiamen SEZ from an overall point of view.

I. Generally speaking, in overseas investment of foreign capital, at least four factors are considered: 1) The safety of investment; 2) the profitability of investment; 3) the consistency between investment and company's development; and 4) the feasibility of investment. Among them the most important is safety. Since China's social system is completely different from that of Western countries, the stability of policies and the formulation and perfection of various laws are of great significance especially to attracting foreign capital. The market should be properly opened to foreign investors to let them gain some profits. As long as these two problems are well solved, taxes will become an important counter for effectively absorbing and using foreign capital. Currently, some people think that the key to attracting foreign capital is a comprehensive and complete environment for investment, not preferential tax treatment. Some even think that offering preferential tax treatment alone and giving little consideration to other more important matters is like putting the cart before the horse. This view that excludes preferential tax treatment from investment environment and ignores the function of taxation is erroneous. Of course, the one-sided pursuit of "fewer tax categories, lower tax rates, more preferential treatment and fewer procedures" is also not conducive to developing the function of the tax lever.

What kind of tax model is appropriate for the Xiamen SEZ according to its concrete conditions? We believe that in general the Xiamen SEZ should adopt a low tax structure based on direct taxes (mainly income tax) and supplemented by indirect taxes. The concrete plans are as follows:

1. As a major tax category of the Xiamen SEZ, enterprise income tax should reflect the following two demands:

First, it should reflect the demand for differential treatment for different industries and same treatment for all departments under the same industry. According to the report approved by the State Council, Xiamen should be built into a comprehensive, export-oriented special economic zone which will focus on industry while developing tourism, commerce, and real estate businesses. This orientation is completely correct. However, in the development of many industries and sectors, we must distinguish what is primary and secondary, what is priority and what is urgent. We should not rush headlong into it, trying to do everything all at the same time. We hold that in regard to industrial structure, importing industrial technology should be the key and importing other things, the supplement; in regard to the import of industrial technology, relatively advanced industrial technology should be the key and general consumer goods production technology, the supplement; and in regard to the import of advanced industrial technology, software or crucial parts and components should be the key and hardware or complete set of equipment, the supplement. Judged from the import situation of the past few years, a prevailing phenomenon is that it is easier to carry out talks on commercial, tourism and service projects and more contracts have been signed and fulfilled for such projects, but, except for everyday consumer goods such as household electrical appliances, cigarettes and liquors, very few talks on industrial technology have been successful, not to mention really advanced industrial technology. This problem prevails not only in the Xiamen SEZ, but also in other SEZ's and 14 coastal open cities. If this situation remains unchanged, the open policies will not be able to fulfill projected goals. Therefore, fixing different tax rates for different industries according to different situations to demonstrate differential treatment is totally necessary. Some comrades disagree. They think that taxing different industries according to the same tax rate can encourage competition and at the same time make it easier for tax departments to control and collect taxes. It is very hard for us to agree with this view. Different industries are different in the nature, scope and targets of production and operations, the demand for the input of labor, financial and material resources, the amount of risks involved and the degree of difficulty in the sources of their income. The only way to treat them rationally is to treat them differently. Practice of uniformity is not good for encouraging the import of advanced industrial technology. As for easier control and collection, we should strive to make things easier for tax control and collection only if we are able to give full play to the function of the tax lever, which is a prerequisite not the other way around. In the same industry, enterprises of different nature, whether they are run by the state or collectives and whether they are joint ventures or wholly owned, must be treated equally.

Second, it should reflect the demand for different treatment between the Xiamen SEZ and other special economic zones and 14 coastal open cities. In

November 1984, the State Council promulgated the "Provisional Regulations for the Reduction and Exemption of Enterprise Income Tax and Industrial and Commercial Consolidated Tax in Special Economic Zones and 14 Coastal Port Cities" (abbreviated as the "regulation" hereafter). Since then, joint ventures and wholly-owned foreign enterprises in special economic zones and 14 coastal open cities have been levied generally the same amount of enterprise income taxes. This measure of uniformity has caused special economic zones to lose their tax advantage and adversely affected the efforts of special economic zones, especially the Xiamen SEZ, to attract relatively advanced industrial technology. In our opinion, the enterprise income tax rate of the Xiamen SEZ should be lower not only than that of open economic areas but also than that of the other three special economic zones. Compared with these areas, Xiamen should be more lenient in granting reductions in, and exemption from, income taxes and it should have more decision-making power in regard to taxation. In addition, in light of different situations, the Xiamen SEZ may consult foreign experience and adopt an accelerated depreciation method for Sino-foreign joint ventures and wholly-owned enterprises.

2. The personal income tax fails to reflect the preferential treatment of special economic zones because the "Personal Income Tax Law of the People's Republic of China" currently in effect is formulated according to the general situation of the country. Additional rules need to be drawn up according to the situation. For instance, the personal income tax rate of special economic zones should be properly reduced. The highest bracket of current tax rate is 45 percent, much higher than the 25 percent of Hong Kong. For another instance, in order to encourage foreigners to become residents of special economic zones, their tax exemption period may be extended from the current 90 days to a year and so on.

3. In order to build Xiamen into an international financial center, Xiamen should be granted local jurisdiction. In other words, Xiamen may stipulate that foreign companies, enterprises or individuals will be exempted from income tax on the income they earned elsewhere (other parts of China and foreign countries) and remitted to Xiamen Island; no income tax will be levied on interest drawn from the foreign currency deposits of financial institutions on Xiamen Island; and income tax levied on interest drawn from the RMB deposits will be reduced to a half. This stipulation can help Xiamen play the role of a duty-free port and attract large amounts of foreign capital and funds from other parts of China.

4. Joint ventures and wholly-owned foreign enterprises in special economic zones should pay a higher rate of income tax on the sales of goods to the inland, according to a prescribed ratio, than that on exports or sales in special economic zones. There are different situations:

A. Joint ventures and wholly-owned foreign enterprises pay 30 percent of income tax on the sales of goods to the inland according to stipulations.

B. Foreign businessmen pay 35 percent of income tax on the income earned from selling directly imported products to the inland according to the provisions of agreements.

C. If foreign businessmen have really provided relatively advanced technology, as an exchange condition, income tax levied on the income they earned from selling to the inland part of the products they produced in special economic zones or they directly imported from abroad will be reduced to 15 percent.

The above measures are suitable not only for the Xiamen SEZ but also for other special economic zones and economic open areas. Their purpose is to restrict the domestic sales of foreign products and protect the domestic market. Some comrades may think this would dampen foreign businessmen's enthusiasm for investment, but it is not so. When foreign businessmen come to invest in China, they are mainly interested in the China market, therefore, offering them double benefits--the market and preferential tax rates--is unnecessary. Besides, even the 30-35 percent tax rate is not only much lower than the 55 percent tax rate of state-run enterprises but also lower than the income tax rates of developed capitalist countries such as the United States and Japan.

5. After the control system of special economic zones is established, the Xiamen SEZ still should levy indirect taxes such as a product tax, business tax and value-added tax. However, they should be flexible according to the situation.

6. The Xiamen SEZ should still levy import and export customs duties but they should be limited to the import of liquors, cigarettes, various mineral oils and high-class cosmestics and products whose exports are restricted by the state. Other products should be allowed to be imported and exported freely. All transit commodities are exempted from customs duties. Industrial enterprises in special economic zones should pay additional import taxes on products which are made of imported materials or parts if such products are sold on the domestic market.

7. In addition to the above tax categories, it is also necessary to levy land use taxes, entertainment taxes, stamp taxes, inheritance taxes, property taxes and urban maintenance and construction taxes, but tax rates should not be too high.

II. Judged by the above assumption of the tax system of the Xiamen SEZ, we think that the current tax system mainly has the following defects:

1. The Xiamen SEZ fails to distinguish itself in the tax system. As mentioned before, according to the provisions of the "regulations," the tax burden on special economic zones is basically the same as that on economic open areas and there is no disparity between them. This is not right. At a forum sponsored by the State Council in January 1985, leading comrades of the State Council clearly pointed out: At present, China's opening to the world has formed a three-tier structure with four special economic zones as the first tier, coastal economic open areas as the second tier and the Changjiang, Zhujiang and southern Fujian delta areas as the third tier. If so, the tax system should also reflect the different characteristics of the three tiers. Since the Xiamen SEZ is entrusted with two major missions--open to the outside world and promote the return of Taiwan to fulfill the great cause of the

reunification of the motherland--its tax system especially needs to be distinguished not only from those of economic open areas but also from those of other special economic zones. In our opinion, the Xiamen SEZ should have its own relatively independent tax law to genuinely reflect certain policies of a free port.

2. The tax burden on joint ventures and wholly-owned foreign enterprises is inconsistent with that on domestic enterprises. This is demonstrated in two aspects:

A. According to current stipulations, joint ventures and wholly-owned foreign enterprises pay enterprise income tax at a 15 percent rate whereas large and medium-sized state-run enterprises pay a 55 percent rate plus regulatory tax on after-tax profits and small state-run enterprises and collective enterprises pay taxes according to the above-quota progressive tax system. This uneven distribution of happiness and hardship has dampened the enthusiasm of domestic enterprises. Many domestic enterprises go for joint ventures blindly in order to enjoy the benefits in taxation. This is indeed a noteworthy problem. In our opinion, enterprises of different natures under the same industry in the Xiamen SEZ should pay taxes according to the same tax rate.

B. In regard to indirect taxes, joint ventures and wholly-owned foreign enterprises are exempted from industrial and commercial consolidated taxes on export products whereas domestic enterprises still have to pay product taxes and value-added taxes. This is irrational. As for products sold on the domestic market, joint ventures and wholly-owned foreign enterprises should pay industrial and commercial consolidated taxes according to stipulations. The departments concerned of the central government recently stipulated that industrial and commercial consolidated taxes may be fixed according to the lower rates of industrial and commercial taxes. This is irrational in two aspects: First, foreign-funded enterprises and domestic enterprises belong to different tax categories which have caused not only the disparity of their tax burden but also unnecessary trouble for tax control and collection work. Second, after the second-step of the tax-for-profit reform is carried out in an all-round way, original industrial and commercial taxes will no longer exist; therefore, industrial and commercial consolidated taxes should not be fixed according to industrial and commercial taxes. We think that because product tax and the like are part of the product price, allowing foreign-funded enterprises to pay a lower tax than domestic enterprises is unfavorable for protecting the domestic market. Therefore, it is necessary to legalize as soon as possible the product tax, value-added tax and business tax to replace industrial and commercial consolidated taxes currently levied on foreign-funded enterprises so that foreign-funded enterprises and domestic enterprises can pay taxes under the same tax category and according to the same tax rate.

3. What do we do with the income of the Chinese investor of a joint venture? The present method is: If the Chinese investor has a parent unit, his income will be figured into the income tax of his parent unit; if he does not have a parent unit, his income will be considered as extra-budgetary income and he will pay a 60 percent tax to financial departments. Now many enterprises want to fit into the category of extra-budgetary income tax because it is

worthwhile. In our opinion, neither of the above methods is recommendable. A better method is to levy a regulatory tax on the profits of the Chinese investor according to the system used in domestic enterprises, but profits used for reinvestment may be exempted from taxes.

4. Currently, the tax burden on foreign-funded enterprises is the same as that on enterprises funded by overseas Chinese. This situation should be changed. More preferential treatment should be given to enterprises funded by overseas Chinese. If it is hard to change tax rates, at least there should be differences in the amount and time period of tax exemption and reduction.

5. The development of coordinated domestic enterprises has given rise to the problem of financial distribution between special economic zones and other parts of China. At present, no appropriate stipulations have yet been meted out for this problem. A method that is easy to be accepted by the public is: Enterprises from the inland areas will be exempted from Xiamen's regulatory tax on the profits they earned from engaging in coordinated domestic enterprises, enterprises jointly funded by them and foreign businessmen or enterprises jointly funded by them, special economic zones and foreign businessmen.

6. How to solve the contradiction between preferential treatment in taxation and temporary reduction in revenue is a fairly prominent problem especially in Xiamen. At present, Xiamen's budget is already very tight. If preferential tax treatment is offered on a wide scale, Xiamen's revenue is bound to decline within a short period of time. This is indeed a problem. In our opinion, preferential tax policies must be implemented; otherwise, it will stunt the growth of the Xiamen SEZ. In order to solve the problem of revenue reduction, we suggest that the central government let Xiamen implement an independent financial system and that the part of revenue delivered by Xiamen to the provincial treasury be appropriated to Fujian province by the central government as fixed-quota subsidies.

12302
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SHANTOU'S DEVELOPING EXPORT-ORIENTED ECONOMY

Shenzhen SHENZHEN TEQU BAO in Chinese 29 Sep 85 p 2

[Text] In its development over the past three years, the Shantou Special Economic Zone has been following the guiding principle of "making foreign sources the main source of capital, making industry and agriculture the basis of the production structure, and making exports the main goal of production." The zone has taken further steps to import from abroad and link up with relevant units in the interior and has been steadily developing an export-oriented economy.

So far this year, the SEZ has realized a substantial increase in each of the various economic indicators as compared to last year. Investment in capital construction from January to July increased 4.74 times over that of the same period last year, to 37,710,000 yuan. Contracts were signed for 88 projects involving foreign imports and coordination with interior units, 69 more this year as compared to the same period last year. Total investment for signed and registered projects amounted to 2.19 times more than for the same period last year and 1.6 times greater than the combined total of the previous two years.

As of the end of July, the Shantou Special Economic Zone had handled the registrations of a cumulative total of 197 industrial and commercial enterprises involving a total investment of 1.8 billion Hong Kong dollars. Fifty-eight of these enterprises were foreign-owned enterprises with an investment of nearly 600 million Hong Kong dollars, 93 were enterprises involving foreign imports and coordination with domestic departments with investment totaling nearly 800 million Hong Kong dollars, and 46 were enterprises established by the zone itself and directly subordinate to it with investment amounting to nearly 400 million Hong Kong dollars. Investments absorbing foreign capital and coordinated with domestic units amounted to 1.4 billion Hong Kong dollars, or 72 percent of the total.

Production is structured mainly around industry and agriculture. Of the 197 enterprises now registered, 122 are industrial and 28 are agricultural and together they make up 76 percent of the total. This conforms to the aim of developing the zone into a base for processing industries, the production of aquatic products, and fruits and vegetables.

Industrial products of the zone include plastic manufactured products, clothing, electric toys, rugs, furniture, replica porcelain pieces and handcrafted jewelry, 80 percent of which have entered the international market. Agricultural products include eel fry, mature eel, items manufactured from snakes, wild animals, and fruits and vegetables, 96 percent of which is exported. According to incomplete statistics, agricultural companies in the zone have earned more than 30 million Hong Kong dollars in foreign exchange.

12888
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LABOR AND WAGES

VALUE OF WAGE REFORM IN ENTERPRISES ASSESSED

Beijing JINGJIXUE ZHOUBAO in Chinese 15 Dec 85 p 7

[Article by Qian Shiming [6929 0013 2494]: "Discussion of the Pros and Cons of the Enterprise Wage Reform"]

[Text] Several years of experimenting on the reform of the enterprise wage (including bonus) system have drawn many comments, both positive and negative. Where shall the enterprise wage reform go from here? Where is the crux of the problem? These questions need to be studied and explored conscientiously.

1. The basic model of reform must be distinguished from the concrete model.

The so-called basic model of the enterprise wage reform refers to the general orientation and principles of the enterprise wage reform which can be summarized into two phrases: Change distribution from one-level to two-level and policy making from centralized to decentralized. To be specific, the enterprises' wage bill should be linked to their economic results and allowed to float in tandem.

The so-called concrete model of the enterprise wage reform refers to the whole set of concrete measures, systems, and methods adopted, under the prerequisite of achieving the basic model, to establish the link between the wage bill and economic results.

2. The basic model of the enterprise wage reform is correct and must be adhered to firmly.

Linking enterprises' wages to economic results and having them float in tandem is determined by the objective condition of a planned commodity economy. It is not a product of the people's subjective will. If they are not linked now, objective necessity will force them to be linked in the future. Experience gained in the past few years of practice also proves this effective. Although it is imperfect and still has problems of one kind or another, the results as a whole are good. In addition, linking wages to economic results is also a precondition for the reform of urban economy. The essence of the reform of the urban economic system is to change the product economy to a planned commodity economy and change enterprises from subsidiaries of state organs to independent commodity producers and dealers. In order to give enterprises impetus , they should be allowed to seek their own interests. The practice of "establishing the link" is just the mechanism that creates such impetus for enterprises. Without it, the reform will encounter unimaginable difficulties in all aspects.

3. The formation of a whole set of scientific and rational concrete models for the wage reform requires a prolonged exploring process.

Concrete forms, methods, systems, and measures for linking the enterprises' wage bill to economic results cannot be made perfect all at once. At present, due to the absence of external conditions and a lack of experience, the concrete models we selected must have contradictions of one kind or another. They may cause mistakes or even dangers which are unavoidable. For instance, often discussed problems are uneven distribution of happiness and hardship, rivalry, lashing "the fast ox," "putting profits before everything" and loss of macro-control. Actually, some of these problems are irrelevant to "establishing the link." Take the loss of macro-control of consumption funds for example. First, in 1984 very few enterprises, at most 20 percent, carried out the experiment on "establishing the link." Second, among the different incomes of enterprises' workers, wages and bonuses increased almost in tandem with the national income after deducting the price factor. Besides, it is also easier to control this part. We may fix the base figure and the floating ratio in advance and then levy bonus and wage taxes afterwards; therefore, it is impossible to lose control in this regard. The problem arises when enterprises misuse profits which are earmarked for other funds. This has always been the "breach of control" in the indiscriminate distribution of bonuses in the past. It is not difficult to solve this problem either by setting the ratios of various funds and transmitting them to all levels. Finally, some enterprises use such illegal means as increasing production costs under other names and methods, intercepting profits, and "evading taxes" to distribute money and goods indiscriminately among staff members and workers. It is impossible to estimate the scale and harmful effects of such practices. Judged from this, when solving the problem of losing control, we should put emphasis on the last two problems and avoid erroneous diagnoses. The loss of control of consumption funds as a result of losing control of capital construction investment is even more irrelevant to "establishing the link." In sum, we should allow further exploration and experiment on the concrete models for "establishing the link" and gradually mete out such models. During the process, we should allow failures and setbacks.

4. Suggestions for the improvement of the concrete models for "establishing the link."

With regard to the guiding principles for choosing targets in "establishing the link": 1) We should not practice "uniformity." Different regions, industries, and enterprises should be allowed to choose the targets according to their actual conditions and their own abilities. 2) We should establish a comprehensive target system with major and minor targets complementing and conditioning each other. We should not use unitary targets. 3) We should add to the target system the factor of horizontal comparison, stop "lashing the fast ox," and encourage the backward. 4) We should try to eliminate the economic results created by non-labor factors to reduce the disparity of differential incomes of enterprises. 5) We must take into consideration the relations of the interests of the state, enterprises and workers.

The Number of Workers and the Wage Bill of Recent Years in China

Year	The number of workers (10,000)	Wage bill (1 million yuan)
1978	9,499	568.8
1979	9,967	646.6
1980	10,444	772.5
1981	10,940	820.0
1982	11,281	882.1
1983	11,515	934.6
1984	11,824	1,112.3

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CSO: 4006508

LABOR AND WAGES

WAYS TO EXERCISE MACRO-CONTROL OF WAGES SUGGESTED

Beijing JINGJIXUE ZHOUBAO in Chinese 15 Dec 85 p 7

[Article by Zhu Bin [2612 2430]: "On the Macro-control and Adjustment of Wages"]

[Text] The loss of control over the consumption fund has attracted the attention of all circles of society. Wage is an important part of the consumption fund. Doing a good job in the macro-control of wages is a major issue in carrying out the reform of an economic system and achieving strategic goals. Suggestions in this regard are as follows:

1. Set correct targets for the control of general wage standards.

General wage standards are conditioned by the increase in rate of national income and whether wages can finally increase at a steady rate is in turn determined by the increase of the national income of the sector of the means of subsistence; therefore, it is appropriate to use the increase rate of total national income as a target for the control of general wage standards and use the increase rate of the national income of the sector of the means of subsistence as a target for the control of the structure of general wage standards.

2. Clarify orientation for the reform of the wage system.

The major defect of the previous wage system is the egalitarianian practice of "eating from the communal pot." Therefore, the main direction of the reform is to overcome egalitarianism and smooth out wage relations instead of seeking high wages and consumption. The current experiment of linking the wage bill to economic results is an effective form for overcoming egalitarianism and should continue to be carried out. However, concrete measures still have the following restrictions: 1) "uniformity"; 2) lack of horizontal comparison between enterprises; and 3) too many factors of administrative interference. From now on, we should, according to different conditions, set different targets for linking wage bill to economic results; establish a target examination system consisting of one major and many minor targets; and after conditions are ripe, severe the link between wage bill and economic results and use taxation alone to control the internal distribution of enterprises.

3. Handle well the relations between wages and prices.

The relations between wages and prices are actually relations between currency (nominal) wages and actual wages. We should implement the partial wage indexation policy so that wage standards will change as prices change. When adjusting workers' income, price subsidies and wages should be separated for the convenience of control.

4. Use the tax lever and exercise compulsive control.

Taxation is compulsory, free, and stable. At present, due to the great disparity of production conditions and management levels of enterprises, levying wage increase tax and bonus tax can reduce the disparity and eliminate non-labor income. But, it should not be simplified. Such taxes should be levied according to the different classification of enterprises and different conditions so that tax burdens are basically rational for enterprises of different ownerships, scales, and industries. As conditions ripen during the reform, such taxes should be transferred to the enterprise consumption fund tax and finally to personal income tax.

5. Use currency and financial policies to adjust and control wages flexibly.

Considering the consumption fund alone in the macro-control of wages is not enough. Since approximately 40 percent of capital construction investment is transformed into consumer purchasing power, financial policies must be used to control the scale of capital construction investment and the amount of currency issued. At the same time, strict control and social supervision should be exercised for the use of the consumption fund.

6. Reform the current wage control system and exercise multi-level control.

The state should take care of wage increase plans concerning the situation as a whole, prescribe basic systems and formulate various control and supervision policies. Local areas (and departments) should coordinate the relations of various proportions, set forth concrete control measures, and exercise effective supervision according to the policies. Enterprises should, within the limit permitted by the policies, choose various wage forms and promotion and evaluation procedures.

7. Gradually establish laws concerning wage distribution to standardize and legalize the adjustment and control of wages.

8. Establish and perfect the social security system.

Many problems in wage control are related to the imperfect security system. In order to help workers solve problems and ease worries, enterprises have done many things within the scope of the consumption fund that should have been taken care of by social security. The state should draw up a "social security plan" and establish a public accumulation fund system. The pensions of retired workers should be placed under the unified control of society. The public accumulation fund of society should consist of part of workers' wages and a proper amount of subsidies from enterprises and the state treasury.

12302
CSO: 4006/582

TRANSPORTATION

STATE TO BUILD 11 DEEP-WATER BERTHS IN LIANYUNGANG

HK010804 Beijing ZHONGGUO XINWEN SHE in Chinese 0246 GMT 30 Apr 86

[Text] Nanjing, 30 Apr (ZHONGGUO XINWEN SHE)—China will invest 870 million yuan in the next 5 years to build 11 deep-water berths in Lianyungang. By 1990, the handling capacity of the port will reach over 20 million tons, 300 percent over that of the present.

Lianyungang is located at the eastern end of the Lanzhou-Lianyungang railway line. The investment in the construction of the port this year is 200 million yuan, ranking first among China's coastal ports.

According to Zhao Yong, a responsible person of the Lianyungang Port Construction Headquarters, the construction of the major projects of 6 of the 11 deep-water berths to be completed during the Seventh 5-Year Plan period has already started. This year, two 35,000-ton coal wharves will be put into use. The trial operation of these wharves is expected to take place in September. By the end of next year, four wharves for various goods (two 25,000-ton and two 10,000-ton wharves) will be completed. Land is being reclaimed from the sea for the construction of the other five berths at present.

Zhao Yong said that the work of dumping rocks for the construction of the Lianyungang western breakwater will start in July this year and will be completed in 1991. This breakwater will be 6.7 kilometers long and will give protection to a harbor with 30 square kilometers. In the future, over 100 berths can be built here with an annual handling capacity 1,000 percent that of the present capacity.

/9274
CSO: 4006/995

TRANSPORTATION

NEW MANAGEMENT SYSTEM INSTITUTED AT DALIAN PORT

OW300047 Beijing XINHUA Domestic Service in Chinese 1552 GMT 29 Apr 86

[Excerpts] Dalian, 19 Apr (XINHUA)—A management system with dual leadership by the central and local authorities and with the stress on the latter has been instituted at Dalian Port. A handing-over ceremony in connection with the institution of the port management system was held in Dalian today.

Entrusted by the State Council, Zhao Weichen, deputy head of the State Council leading group in charge of sea, land, and airports, presided over the ceremony. He said: Ports are instituting a management system with dual leadership by the central and local authorities and with the stress on the latter. This is a major policy decision by the central authorities and an important reform in the communication system. The State Council made this decision on the basis of the experiences of the experimental management of Tianjin Port by local authorities. This decision has two aims to achieve: 1) It is necessary to mobilize quickly the initiative of all quarters, especially the inititiative of local authorities and enterprises, to accelerate port construction and reform, to increase port handling capacities, and to raise operational and managerial levels; and 2) it is necessary to seek through reform a port management system suited to China's conditions and with distinctiwe Chinese characteristics.

/9274
CSO: 4006/995

TRANSPORTATION

LANZHOU CIVIL AVIATION BUREAU CHANGES NAME

HK301511 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 30 Apr 86

[Text] Lanzhou Civil Aviation Bureau will change its name to Xian Civil Aviation Bureau. Beginning 1 May at 0000, Lanzhou Civil Aviation Bureau will officially change its name to Xian Civil Aviation Bureau.

Xian is situated in the center of the country and is a gate and fort through which people enter the northwest from all places throughout our country. Over recent years, in the wake of the quick economic, cultural, and tourism development in the northwest region, the central and pivotal role of Xian in the northwest civil aviation and transport network has gradually become more apparent.

To suit this situation, beginning 10 March, the organs of the former Lanzhou Civil Aviation Bureau have removed their main departments in two groups to Xian. In accordance with the instruction of the State Council, beginning 1 May, Lanzhou Civil Aviation Bureau will officially change its name to Xian Civil Aviation Bureau. This will surely produce a vigorous effect on promoting economic construction and facilitating the people's livelihood in the northwest region.

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CSO: 4006/995 END

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5 JUNE 1986

China Report

ECONOMIC AFFAIRS

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WAYS TO CARRY OUT ECONOMIC REFORM IN 1986 OUTLINED

Beijing LIAOWANG [OUTLOOK] in Chinese No 1, 6 Jan 86 pp 16-19

[Article by Gao Shangquan [7559 1424 0356], deputy director of the State Restructuring of the Economic System Commission: "About the Reform of the Economic System in 1986"]

[Text] In 1985 China's reform of the economic system took a brave step and made important fresh progress. The goal to regain control of the macroeconomy set forth at the beginning of 1985 has been basically achieved. The reform has accelerated economic growth, market prosperity, steady growth of state revenue, and continuous improvement of living standards. Nineteen eighty-six is the first year of the "Seventh 5-year Plan." How to carry out the reform of the economic system this year is a major issue of common concern and interest.

Recently I have conducted some investigation and research in several provinces and municipalities. Judged from the actual conditions of all areas, in 1986 we should put the reform before everything else and accelerate the planned development of socialist commodity economy. Concrete reform principles may be summarized in the following few words: "Assimilate, consolidate, supplement, improve, upgrade, and develop." In other words, we should assimilate and consolidate existing achievements and reform measures which are correct. With regard to those reform measures in which little experience has been accumulated and which lack detailed procedures and have more problems, we should carefully review them, keep what is good, discard what is bad, adopt supplementary measures to make them complete, and revise them to make them perfect. As for those reform measures which are conducive to macrocontrol, the improvement of enterprises' and social economic results, and the balance of aggregate supply and demand, we should explore, innovate, upgrade, and develop them in a vigorous but safe manner so as to make the reform more efficient and expedite the steady growth of the economy. Based on these three ideas, I put forward the following 12 suggestions and opinions for the reform in 1986.

Assimilate and Consolidate

The main task is to implement conscientiously the "10 Regulations on the Expansion of Rights" and the "14 Provisional Regulations" of the State Council, safeguard the rights and interests gained by enterprises through the reform, continue to increase the vitality of enterprises, especially large and medium-sized, and further develop various forms of horizontal economic links.

1. Consolidate various levels and categories of management companies in accordance with the principle of "delegating decision-making power to factories and serving the grassroots."

Most factory directors we contacted reflected that the phenomenon that management companies at national, provincial, and municipal levels abuse their administrative powers to intercept and encroach upon the rights of enterprises is still very serious and that it has become a major obstacle to enterprise revitalization, a loophole for stealing state revenue and transferring large amounts of budgetary funds to extra-budgetary funds, and a major cause for the loss of control over consumption funds.

The clean-up campaign currently carried out in all areas is aimed mainly at those brief case companies while management companies are still growing in number. Take those Hangzhou-based companies under the administration of ministries and provinces for example. The number increased from 188 at the end of 1984 to 234 in 1985. How do we consolidate such companies? First of all, we must coordinate companies of all categories at all levels, starting with those under the administration of central departments, bureaus, sections, and offices, draw a clear-cut line between the functions of administrative departments, and companies and sever the economic links between the two. Second, companies of all categories must abide by the principle of "equality, mutual benefit, democratic consultation, voluntary participation, and freedom of withdrawal." Chongqing City readjusted, reformed, and reorganized, according to the suggestions of subordinate enterprises, those management companies which had been established since 1982 according to the stuffing their pockets metnod, enabling them to "delegate decision-making power to factories and render service to grassroots units," become real enterprises, and establish horizontal links with other factories and enterprises to benefit both sides. Third, we may explore and develop various forms of companies such as management-service, production-management, technical service, and the combination of various forms and ownership systems. Fourth, we must hold on to the policy when consolidating companies, avoid "uniformity," and ensure the effect of "killing two birds with one stone."

2. Earnestly reduce enterprises' burdens and increase enterprises' ability to transform and develop themselves.

The average profit retention rate of all enterprises in China increased through the second step of the tax-for-profit reform, but the following price increase of raw materials and various charges and fees increased the burden on enterprises. One of the problems is that the sharp increase in the prices of raw materials made it difficult for enterprises to bear the heavy burden resulting from high costs and low sales. The Hangzhou City Toothpaste Plant is a model enterprise of the light industry and its economic targets are on top of the list among all departments of the same trade in the nation. Since 1985, its profits have been reduced by 5.13 million yuan due to increases in the prices of major raw materials, tax rates and various charges, and the levying of urban development tax. Although such measures as conservation, substitution, and expansion of sales by enterprises have been employed, the enterprise could only offset half of the reduction and recorded a 56 percent decline in annual profits, thus affecting the income of staff members and workers. The second problem is that in 1985, enterprises had to take care of substantial increases in price subsidies for non-staple foodstuff, allowances for the education of staff members and workers, and pension. The third problem is that some administrative organs charge illegal fees for regular administrative services or collect additional "service charges" on top of regular fees. The fourth problem is the phenomenon that enterprises are forced to "pool funds," share expenses, sponsor projects, and do commercials, and this is very serious. In some areas, local public security departments even charge factories for setting up police stations in large and medium-sized enterprises, hiring police, and purchasing uniforms, guns, and other police equipment.

With regard to the above problems, on the one hand, we should solve them through price readjustment and the reduction and exemption of regulatory taxes; on the other hand, we should adopt measures to reduce unfair burdens on enterprises. Auditing, financial, and tax departments should be organized to reexamine and verify all items of charges and fees and resoutely eliminate those which should be eliminated. Administrative organs should not be allowed to charge enterprises without authorization. It is necessary to stipulate in unequivocal terms that collecting service charges for public service is illegal. Misuse of enterprises' staff and unauthorized apportionment of expenses and other fees should be checked.

3. Consolidate the achievements in the reform of small state-run enterprises

Over the past year or so, some small state-run enterprises, especially small commercial enterprises, have been invigorated through "transformation (into collective ownership), transfer (to collective management), and rent (contract or rent to individual managers)." They are now developing into economic entities that practice independent accounting, assume sole responsibility for their own profits and losses, and make their own decisions in management. This has aroused the enthusiasm of staff members and workers and substantially increased economic results and the efficiency of social service. In 1985, reformed small enterprises in Hangzhou and Jiaxing cities both showed an increase of over 35 percent in tax payment as compared to the corresponding period of the previous year. However, comrades in all areas now express that due to policy changes, the momentum of reform in small enterprises has been reduced sharply. The main problem is that not enough consideration has been given to such enterprises in the formulation of tax policies or other reform measures.

Some comrades of local governments pointed out that enterprises owned by the state and run by collectives are different in economic nature from those small enterprises which are transferred directly to collective ownership; therefore they must be so distinguished in policies. Some comrades suggested that "uniformity" be avoided in the levying of bonus tax; small enterprises dealing with cartering, service, repairing, and vegetable businesses be given more lenient treatment in regard to the cut-off point; the staff members and workers of small enterprises be given over-time pay; and rented or leased small enterprises be exempted from bonus taxes.

Supplement and Perfect

Since the beginning of 1985, in view of certain unstable elements in China's economy, the central government has enhanced macroeconomic control and employed such economic levers as taxes, credits, prices, and wages. This is totally necessary and has scored achievements. But, it is necessary to prevent "uniformity" and avoid two possible dangers: 1) The application of old methods is liable to lead us back to the overcentralized old system; and 2) general means of control can control state-owned enterprises but not collectively-owned and individually-owned enterprises; they can control production but not consumption, thus enlarging the gap between aggregate supply and demand. Therefore, it is necessary to supplement and perfect all systems. The first main step is to establish a mechanism to make comprehensive use of economic levers and exercise indirect control over the macroeconomy, give correct guidance regarding investment orientation and enterprises' behavior, and bring about the balanced and coordinated development of the economy.

4. Further improve financial and tax systems

First of all, we must make sure that all taxes that can help bring the scale of capital construction under control and promote fair competition among enterprises are collected without fail. For instance, product taxes are an important source of revenue for the state, but some provinces and municipalities, in order to protect their local enterprises, have reduced or exempted product taxes for some products in excessive supply and encouraged enterprises to enter competition through illegal means. This in fact is protecting products of high costs and low quality.

Second, measures that can help increase the economic results of enterprises and the society as a whole should be implemented as soon as possible even if it means less taxes for the state. The Hangzhou Rubber Plant is one of the units with better economic results in the same industry throughout the country. In the past few years, it has increased production and practiced economy and its workers have been paid 3 yuan a month as conservation bonus. In 1985, Zhejiang's financial and tax departments required that this enterprise retain conservation bonuses according to its average consumption level of the past 3 years. As a result, the bonus was reduced to 0.2 yuan while enterprises of high consumption were allowed to retain more bonuses. In this way, it is very difficult to arouse the enthusiasm of staff members and workers. Therefore, we must work out as soon as possible some appropriate measures regarding the practice of conservation bonuses.

Third, we should begin as soon as possible to levy personal income taxes to replace bonus taxes. This can control the growth of consumption funds, help promote fair competition between enterprises, and control the excessively high income of individual business managers.

Fourth, the reduction and exemption of regulatory taxes should be planned in such a way to reflect the industrial policy laid out to develop key industries.

Fifth, we suggest that the separate tax system be carried out on a trial basis in a few cities in 1986. Through this separate tax system, we should correctly handle the interests and rights of the state, provinces, and municipalities, practice decentralized management, and gradually enhance and perfect the system of tax supervision.

5. Correctly employ the means of credit, open up capital markets, and exercise indirect control over the macroeconomy

To exercise indirect control, it is necessary to give correct play to the role of monetary and currency policies. At present, enterprises are slow in responding to the adjustment of interest rates. Since state-run enterprises include their interest in their cost of production, they are willing to borrow money no matter how high the interest rate is.

To bring the overall scale under control, first of all we should strictly control the number of new projects and sort out projects under construction. Second, we should avoid "uniformity" and mixing reward with punishment in the control of overall scale. Third, under the condition of tight money supply, it is still more necessary to open up money markets, accelerate turnover, and make better use of limited funds. Vigorous efforts should be made to develop horizontal capital circulation between regions and between specialized banks, adopt various credit instruments, reform the means of payment, develop multi-level money markets, and control the growth of high-interest credit among the people. Fourth, it is necessary to increase the efficiency of loans and speed up the recovery of investment. The key to this issue is that leaders at all levels should avoid using administrative means to issue orders so as to protect the decision-making power of banks.

6. Carefully control the prices of non-staple foodstuff to stabilize markets and reassure the people

Beginning in April 1985, all localities have gradually decontrolled the prices of non-staple foodstuffs and granted a proper amount of price subsidies. After price decontrol, commodity prices have gone up substantially, resulting in quite a few complaints from the masses.

In order to control commodity prices, stabilize markets, and reassure the people, we suggest that the following measures be adopted: 1) Strengthen price and market control. Implementing the principle of "macroeconomic control and microeconomic flexibility," Shanghai Municipality continues to subsidize popular vegetables of dependable quality. Hangzhou and Jiaxing cities have adopted such methods as setting price ceilings and allowing units of the same trade to negotiate prices. Chongqing City is in the process of formulating a lowest price protection policy. 2) Adopt measures to consolidate and develop vegetable production bases and households specialized in raising hogs so as to guarantee absolute supply. 3) Further implement measures to supplement agriculture and vegetable production with industry in rural areas. 4) Establish vegetable wholesale markets with state-run commercial units playing the dominant role. 5) Correctly handle the relations between the interests of producers, dealers, and consumers.

7. Explore new ways to reform the wage system of enterprises

Following the reforms of government organs, cadres, and other establishments, enterprises' wage reform became a prominent contradiction. The method of linking wage bill to economic results, which has been practiced on a trial basis since 1984, is correct. However, the problem is how to set scientific and reasonable targets for economic results. It is inappropriate to publicize this method before the problem can be solved.

To explore new ways to reform enterprises' wage systems, Shanghai is planning to experiment with the method of linking the wage bill to tax payment, profit delivery to the state, cost of production, and quality in several enterprises in 1986. Chongqing City is planning to experiment with the "target cost distribution method" in some enterprises in 1986. This method is to encourage enterprises to increase the wage content of production cost by reducing consumption on the prerequisite of guaranteed product quality and increased tax payment and profit delivery to the state. On condition that the total amount of consumption funds is under control, enterprises should be given the decision-making power to choose their wage systems and explore multiple distribution systems. In the meantime, attention should be paid to preventing new breaches in the expansion of consumption funds.

Upgrade and Develop

It is necessary to carry out reforms in a firm, cautious, and reliable manner. Pilot cities in particular should make new strides to push forward all-round reforms.

8. Vigorously create conditions to explore and develop capital goods markets

Along with the changes in the form of distribution and allocation for capital goods and especially since the gradual price decontrol of above-plan capital goods was initiated at the beginning of 1986, two forms of prices--planned and market prices--have appeared for major capital goods. At present, the disparity between the two prices is enormous. This applies mainly to those products whose prices have long been divorced from their value and whose supply falls far short of their demand. This dual price system can not only give impetus to enterprises producing capital goods but also impose pressure on general processing enterprises, enabling them to increase production, practice economy, and readjust industrial lineup and investment orientation. In these two areas enterprises have made great efforts in the past year or so and proved that the dual price system is of positive significance and it serves as a bridge linking the old to the new system. But some enterprises are unable to cover excessive price disparity, resulting in price increases or causing all units to vie with each other in dealing with capital goods and seek profits through speculation.

To provide a relaxed environment for the development of capital goods markets in 1986, we should first take a further step to reduce the scale of capital construction and control the orientation of loans. Second, the main task now is to explore and develop steel product markets. The key is to gradually increase the proportion of goods entering the market in an effort to stabilize prices. In 1985, Shijiazhuang experimented with the method of selling planned and above-plan steel products at the same market price with price disparity returned to enterprises according to planned targets. This is an invention. It can help enterprises dealing with capital goods consider all resources, both planned and above-plan, as a whole, participate in market regulation and exercise their role in stabilizing prices. In addition, it can help smooth out the price relation of steel products by reducing the disparity between the two prices. We may continue to explore similar methods in various cities. Third, we should establish special steel product markets. Transactions of steel products of all kinds should be strictly forbidden outside the markets, but certain flexibility should be allowed in prices. Fourth, the state should issue special licenses for dealing with steel products, define business scope, and gradually establish unified and open steel product markets.

9. Mete out special policies for export enterprises to increase their ability to earn foreign exchange

According to our surveys, the key to increasing export potential is to mete out policies for enterprises. First of all, under the guidance of unified state policies, qualified enterprises should be granted as soon as possible the right to make direct contacts with foreign countries. It is necessary to establish in the guiding principle the concept that enterpreneurs must face international markets.

Second, policies should be formulated to encourage exports. Currently, many enterprises find that the more products they export, the less profits they make. Under the circumstance that domestic sales are better than exports, most foreign trade enterprises need domestic sales to supplement exports. Shanghai Municipality is considering establishing an export reward fund while demanding that enterprises, instead of foreign trade departments, be exempted from export product taxes.

Third, foreign exchange sharing quotas should be fixed for enterprises which have engaged in exports and earned foreign exchange and, according to the amount of foreign exchange earned from exports, some industries should be selected to implement the dynamic profit retention system on a trial basis. The practice of importing raw materials at low prices and selling them to enterprises after adding high service charges must be changed.

Fourth, industrial policies should be employed correctly to speed up the renovation and transformation of foreign trade enterprises.

10. Exercise decentralized control, develop the role of central cities, and ensure both macroeconomic control and microeconomic flexibility

Shanghai and Hangzhou cities have established a system for different departments to hold joint business meetings and economic lever coordination meetings which have made a positive effect on macroeconomic control. However, they feel that because cities' authority to use economic levers is too limited and they lack regulatory means, economic levers still cannot give much leverage in reality. Practicing decentralized control, policy-making, and management is a major pressing issue in the reform. On the one hand, with regard to macroeconomic control, central cities should exercise their role as a "transformer" or "second relay" and, in view of their local realities, work out the details and local versions of the general principle and policy of state macroeconomic control, thus exercising macroeconomic control in the microeconomy. On the other hand, since cities have direct contacts with enterprises and markets, they have faster information feedbacks and it takes them less time to make policy decisions. Decentralized control and management with each level assuming its own responsibility can reduce the burden and risk on the part of the central government in making policy decisions and is favorable to arousing the enthusiasm of all fields and carrying out the reform in a vigorous and safe manner.

Main reforms to be carried out in this field are: 1) Plan to practice decentralized management. 2) Properly expand the authority to readjust taxes. Cities should have the authority to readjust the regulatory taxes of enterprises on condition that they guarantee the fulfillment of revenue delivery task and the total amount of tax payment. Provinces may give cities the authority to grant tax exemption and reduction or write off outstanding tax payment. Cities may gradually begin levying local taxes such as property taxes and vehicle and vessel license taxes. Pilot cities may determine temporary tax categories in view of problems in their economic development. Chongqing City initiated the "temporary business tax" in 1985 and used it to levy taxes on upstarts in the field of circulation, achieving satisfactory results. 3) Properly expand the authority to set prices. Except for those commodities whose prices and other non-commodity charges are set in a unified manner by the state or provinces, commodity prices and non-commodity charge standards should be controlled and readjusted in a unified manner by cities. The authority to examine and approve floating prices for high-quality products may be exercised by cities within the limit prescribed by the state. In addition, with regard to the fields of credit fund control, wage control and foreign trade, the role of cities should also be developed in accordance with the principle of decentralized control.

11. Explore new systems for industrial control

Along with the simplification of administration and the delegating of decision-making powers to lower levels, government organs need to take a further step to change their functions and eliminate barriers between central and local authorities. Judged from the findings of our surveys, we may strengthen the exploration of industrial control in the following two respects: 1) Specialized industry control bureaus under city governments should switch from departmental control to the control of industry as a whole. 2) In view of the problem that some departments are in charge of too many industries, we should establish and perfect associations for each industry and enable them to become a bridge and link between the government and enterprises.

We suggest that the possibility of experimenting with the control of industry as a whole in departments with foundations such as machine-building and building industries should be further explored in several cities in 1986. During the experiment, attention should be paid to the following: 1) The control of industry as a whole should not change the affiliation of enterprises without authorization. Special attention should be paid to properly handling the relations between enterprises of different ownership. 2) Industrial control departments should cut their economic links with enterprises. 3) Industrial associations must be established in a cautious and proper manner after experimentation and exploration. We should not rush headlong into it and consider associations as new organs to replace the functions of corporations. Resolute efforts should be made to prevent turning "corporate fever" into "association fever."

12. Do a good job in basic work and make full preparation for making important steps in the reform of 1987

In order make important steps in the reform of 1987, we must do a good job in the feasibility study of the following reform plans and basic work: 1) Study and draw up important reform plans such as plans for financial reform and the development of money markets; study and draw up plans for rent reform and housing commercialization on the basis of experimenting with housing commercialization in several cities; further reform the plans of circulation systems to adapt to the new situation of a booming commodity economy in urban and rural areas; implement preliminary social security reform plans and conscientiously carry out comprehensive and supplementary reforms on a trial basis in selective units. 2) Pay special attention to basic work such as conducting appraisals and classification of assets, resources, and land and propose that this work be considered an important content of industrial survey. Other basic work includes establishing and perfecting financial accounts, accelerating the training of accountants and auditors, examining the credentials of accounting personnel, enforcing strict accounting disciplines, and establishing accounting offices on a trial basis in cities where conditions permit. 3) Strengthen ideological and political propaganda and education during the reform period and deepen the understanding of cadres and the masses for the need and difficulty of reforms. 4) Enhance the economic legal system and supervision and do a good job in supplementing and coordinating reforms so as to ensure smooth progress for reform of the economic system.

12302
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NATIONAL POLICY AND ISSUES

ECONOMIC REFORMS, SPEED OF ECONOMIC DEVELOPMENT

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] ion Chirese No 11, 4 Nov 85
pp 2-5

[Article by Liu Hongru [0491 7703 0320]: "Economic Reform and Speed of Economic Development; Study and Learn from National CPC Congress Documents"]

[Text] The recently convened National CPC Congress has approved the "Central Committee's Proposals for the Seventh 5-Year Plan for National Economic and Social Development" which affirms the guiding philosophy, goals, strategy and important policy measures underlying the economic tasks for the period of the Seventh 5-Year Plan. It also lays out concrete goals, requirements and practical steps that need to be taken in bringing to fruition the decisions of the 3d Plenum of the 11th CPC Central Committee regarding the economic structure. In the construction of a socialist state, the experiences since the 3d Plenum have been a step forward toward realizing a socialism with Chinese characteristics. We must meld the construction of a socialist state and the reforms, study conscientiously and gradually realize these goals. In this article, the economic reforms and the speed of development will be discussed; I will draw from my own learning experiences.

I. Reform Has Accelerated Economic Growth

Since 1979, China's economy and society have undergone important changes, and the trends are a step in the right direction. It can now be said with certainty that the economic and financial circumstances have basically taken a turn for the better. The main indicators are: 1) A stable foundation, a rapid growth of the agricultural sector, self-sufficiency in food, a surplus in cotton, and a steady growth in the energy supply after a period of no growth. 2) The appearance of proportion and coordination between agriculture, light and heavy industry, and between spending and savings. Markets are supplied more abundantly and daily life has seen a marked improvement. 3) A basic balance. The tide has turned from falling to steadily rising government revenues; receipts and expenditures are basically balanced as are foreign exchange receipts and expenditures. Necessary reserves are being maintained, credit is growing quickly, and the money supply is adequate to meet the demands of economic growth. These three points add up to one thing, and that is that China's economy has begun to see continuous, steady and coordinated growth.

Comrade Deng Xiaoping has pointed out; "The 7 years since the 3 Plenum of the 11th CPC Central Committee has been the greatest, most crucial era since the People's Republic was founded. In truth it did not come easy. We accomplished two important tasks: First we rooted out the opposition and second we restructured the entire system." Most fundamental was rooting out the opposition which entailed redirecting the party's focus toward establishing a modern socialism and upholding a foundation consisting of four fundamental principles; it also meant concentrating on the development of socialist production and the rectification of "leftist" errors. Without this, today's situation would not be so good. The overall restructuring of the economy and the development of production capabilities has fostered deep changes in the economy, society, manner of work, and the social atmosphere.

That the economic reforms have propelled many aspects of economic development has been clearly manifested: In rural areas the creation of the output-related system of responsibility has actively rechanneled the productivity of vast numbers of peasants. Since 1981, the annual average rate of growth in agricultural production has been 10 percent. Since the 3d Plenum of the 11th CPC Central Committee, the reforms have focused on urban areas. Because of the appearance of a mixed economy, economic diversification, a variety of circulation channels, increased self-management rights, gradual reform of the price structure, the financial system, and tax collection as well as the formation of technological and resource markets and the diligent advancement of the open door policy, the urban and rural economies have been invigorated and the growth rate has accelerated. During the Sixth 5-Year Plan, the average annual growth rate in gross output value of industry and agriculture exceeded 10 percent, already higher than the 7.2 percent average annual growth rate required to quadruple output by the end of the century.

II. Excessively High Growth Rate Are Detrimental to Economic Reform

Economic growth rates are restricted by objective conditions. If the rate is too high, steady and coordinated growth is sacrificed; thus the condition and environment best suited to restructuring the economy are lost. At bottom, the reforms exist for the construction of the economy and, in the era that lies ahead, this construction schedule depends on the implementation of beneficial reforms. If overly speedy development is pursued, all aspects of the economy will become hamstrung and it will be difficult for the reforms to advance smoothly. Why is this so?

First, the restructuring of the economy requires coordination and a steady pace of growth as a foundation. If the rate is too high, coordination is lost. In 1984, gross industrial products increased 14 percent over the previous year and up to July of this year, the growth rate was 22.8 percent higher than the same period last year. This kind of speed cannot be maintained, for it would be difficult to supply enough energy, raw materials and transportation to meet the needs of such a high rate. Comrade Chen Yun is right when he says that a proportional, planned pace of advancement is the best speed. Otherwise, panic will ensue and loss of control will unavoidably reappear, resulting in the opposite--sluggishness. "Haste makes waste." If control and coordination of the economy are lost, positive reform measures will be difficult to achieve, well nigh leading us back to where we started.

Second, the restructuring of the economy requires the gradual establishment of an indirect system of controls, the gradual perfection of a market system, the application of crucial economic and legal devices, and utilization of market mechanisms to control and adjust the economy. To achieve these requirements, economic relationships must be clarified and smoothed out so that the various means of adjustment obtain precise results. To apply economic means of adjustment is really to influence results, which will affect the profits and losses of all enterprises units and individual enterprises. On the one hand, enterprises really need stimulation to become relatively independent producers and managers; on the other hand, pressure is necessary, most notably market pressure. If an enterprise's goods are not up to par in quality, design, color, and variety, or if it uses resources inefficiently, causing high prices, the products will not sell. The enterprise and the individual will hence suffer the consequences. Under these circumstances, market mechanisms and economic forces will promptly come into play. If the economy is growing too fast, demand will inflate, supplies will become tight, and a sellers market will come into being. In this kind of abnormal situation, anything can sell and any kind of business can earn money, causing market mechanisms to lose their vitality and economic devices to become ineffective.

Third, the restructuring of the economy requires a stable financial situation, stable markets and tranquility in domestic life. And to implement all these improvements, a stable political atmosphere must be maintained. If the economy grows too quickly, the tendency is for credit to expand greatly. Above all, if fixed capital investment grows wildly, not only will it result in shortages of both building materials and mechanical equipment, but it will also result in an inflation in consumption funds. Meanwhile, in the short run this sort of investment cannot provide commodities for society at large, which then forces banks to increase the supply of money, which in turn increases pressure on markets. If the amount of money in circulation increases, goods will become scarce, production will increase haphazardly, causing quality to fall, and eventually a glut will occur. Goods would become wasted products and money in circulation would gain great purchasing power. The result could be inflation, rising prices and impediment to the reforms. And if it affected everyday life, causing people to become disheartened, it would be even more difficult to implement the reform.

Thus, it is imperative to maintain a suitable rate of growth. Excessively speedy growth cannot be pursued for its own sake, nor can national capabilities be ignored while blindly expanding the scale of development. We must avoid blindly heading in this direction and must avoid an economic panic. According to the proposals of the Central Committee, during the Seventh 5-Year Plan The GVIAO is set to grow at an annual rate of 7 percent, which is hardly a low rate. To bring this about, the Seventh 5-Year Plan will be divided into two parts. During the first 2 years, emphasis will be placed on controlling aggregate demand, slowing speedy growth rates, and solving the problem of overly large-scale fixed-asset investments and wild growth in consumption funds. The scale of investment for 1985 will be maintained. By and large, only minor adjustments will be made. In the last 3 years of the Seventh 5-Year Plan, there will be an appropriate increase of investment in construction. The principle is firmly established, yet the mere recognition of the problem does not mean a genuine solution, for measures are still inadequate and uncontrollable dangers are still in existence. Some comrades cannot get the concept of "the more growth, the better" out of their minds. At the same time, reducing waste and improving product quality to increase economic gains is quite difficult to attain. After all, it is so easy to rely on an expanded scale of production to obtain higher output value. Consequently, it will be difficult to solve the problem of excessively fast growth.

III. Reforms Must Have Priority

During the Seventh 5-Year Plan, we must take note of three important tasks: 1) to create an excellent environment for the reforms by avoiding overly fast growth in the economy; 2) to strengthen priority projects and technical transformation to pave the way for continued economic growth in the 1990's; 3) to continue improving daily life for the people. The latter two responsibilities require a definite rate of growth, because sluggish growth is also unacceptable. On the surface this is a contradiction, but in reality it is consistent, for only when economic benefits and the general welfare are satisfactory can a growth rate be considered perfect. This is precisely the purpose of the reforms and it is also a necessary condition for the reforms. As Comrade Xiaoping has said: If within the next 5 years the foundation for the reform is set, the economy will be able to grow steadily and in a coordinated fashion so that by the end of the century the 12 major goals will be well within our grasp."

How can the contradictions of the Seventh 5-Year Plan be solved to ensure suitable levels of growth? The means is in the reforms.

A suitable growth rate is one in tune with the general welfare and one that truly comes to grips with the quality versus volume and speed versus results relationships. The problem of resource waste, inferior quality, and low economic gains must be altered so that all resources are efficiently utilized, investment is more productive, exports are increased, and the people's needs are satisfied. The effort to increase economic gains and the active strengthening of exports are two means of creating the right environment for the reforms during the Seventh 5-Year Plan. We also must make future growth a source of lasting strength as well as solve the important contradictions in daily life. In accomplishing these two things, we must institute various policies and measures, the most important being the proper implementation of the reforms. It is especially important to invigorate large and medium-sized enterprises, make it easier for government to grant rights, appropriately reduce and adjust taxes, reduce planned duties and directions, further increase self-management rights and competitive pressure on enterprises, etc. Enterprises must be inspired from both within and without to increase economic benefits. There must be a further development of commodity markets as they can function as economic levers and competitive mechanisms, to separate the wheat from the chaff. Reforms in the price structure, in tax collection and in the financial system should serve to strengthen market mechanisms and economic levers, and will result in greater economic gains for enterprises and society at large.

A suitable growth rate is one that allows for proportional growth. The conditions required for a stable, proportional, and well coordinated economy are a basic balance between aggregate supply and demand that will help keep accumulation and consumption funds in the right proportion, and an integrated balance between public finances, credit, goods, and foreign exchange. To bring this about, we must promote economic reform and the nation's planned commodity economy must be adjusted to perfection so that macroeconomic controls are effective and the microeconomy is stimulated. A stimulated microeconomy is the foundation for macroeconomic control, precisely because stimulation necessitates control. If effective macroeconomic controls are lacking, then the more the economy is stimulated, the more chaotic it will become. In the future, direct state control over enterprises must be gradually reduced and a system of indirect control must be perfected. Legal and economic means must be employed to control and adjust movement. However, the scope, degree, and pace of this reduction in direct control over the microeconomy should adapt to and complement the strengthening of indirect state control. It is worth noting that implementing controls is an important aspect of the reforms, and it should be gradually perfected throughout the reforms. There is no returning to the days of direct control through primarily administrative means.

Controlling the scale of fixed-asset investment is the most direct component in establishing a suitable growth rate, for it prevents the inflation of demand brought on by "surging investment." This is the core of macroeconomic control, but it is a difficult problem. For many years purely administrative means have failed to solve this problem, and now as part of the reforms, effective, but indirect solutions are being sought. Besides maintaining outside of a certain planned scale of control it is important to employ economic devices, especially in the realm of the money supply, for increased control and guidance.

If there is a rush to obtain capital for basic construction, authorized banks must reduce the flow of capital and other loans. Stock and bond issuances need to be put under better management and direction. Also, restrictions on tax collection can be increased. Drastic methods of control may be employed to institute this necessary series of reforms because they are so necessary.

In order to set up macroeconomic controls, appropriate reform measures in line with the Central Committee "proposals" must be instituted. In the first 2 years of the Seventh 5-Year Plan, the emphasis of the reforms will revolve around the stabilization of the economy and the perfecting of an indirect system of macroeconomic controls. The last 3 years will revolve around the need to expand socialist commodity markets, improve indirect controls, establish a price structure for production resources, restructure the pricing and managerial systems, improve the tax system, reform the financial structure, and provide better external conditions for enterprises.

The reforms are only one of the three great duties of the Seventh 5-Year Plan, but it is the most significant one. The relevance of the reforms is not limited to the present. They are a crucial foundation for the establishment of a stable, expanding economy during the rest of the century and the first half of the next century. Without the reforms, there cannot be stable economic growth in the future.

IV. Restructuring Financial System Has Important Place on Agenda

If we want to strengthen macroeconomic controls and stimulate the microeconomy, it is necessary to restructure the financial system. The three main aspects of the Central Committee's concrete "proposals" regarding the establishment of a new style socialist economic structure are: the invigoration of medium-sized and large enterprises; the development of planned commodity markets and the gradual perfection of a market structure; the substitution of indirect for direct national control in the management of enterprises. Revolving around these three aspects is a comprehensive, well-planned structure comprised of price, public finance, banking, and wage systems that together form a complete market establishment. There also should be mechanisms to merge macroeconomic control with microeconomic stimulation. As can be seen, the heart of the reforms is determining how to establish and perfect a system of adjustments for a planned, socialist commodity economy. A regulated banking system is an important component in a regulated economy. The reform of the banking system is connected to both the stimulation of the microeconomy and to macroeconomic controls. The invigoration of enterprises, the perfection of the market systems, and the establishment of a system of indirect controls all require suitably tailored reforms in the banking system. And if we want to manage the relationship between growth rates and economic results, banking methods must be utilized.

Regarding reforms in the banking structure, the Central Committee "proposals" laid out a simple, precise outline. It reflects several important relationships: the relationship between banking and the national economy clearly expresses the important role of banks. There are two main aspects to this role: the first is the raising of funds and the efficient application of funds to suitable projects; the second is to direct the flow of money, regulate both the economic structure and aggregate demand to realize the needs of national policies and strategies. The role of banks must be tailored to the needs of economic development and they must be able to restrain a speeding economy that is not well coordinated. The two aspects mentioned above must be viewed as an organic whole that cannot stand alone as separate components.

In regard to the relationship between the Central Bank and various other departments and financial institutions, the People's Bank of China is by law consigned the means to effectuate the duties and spirit of the Central Bank. The People's Bank is definitely the most important institution for making macroeconomic adjustments. Its adjustment duties and goals are: to control inflation and to stimulate coordinated economic growth and a rational economic structure as well as to adjust aggregate demand and the economic structure. For this purpose, the independence and prestige of the People's Bank of China must be strengthened. It must not become a mere appendage of various government departments, because it must independently execute its professional prerogatives. The means of adjustment at its disposal include integrated credit planning, financial policies, the management of foreign exchange and credit, interest rates, exchange rates, reserve fund and various other economic and legal devices. What makes unequivocal the People's Bank of China's role as the Central Bank's connection with specialized banks and other financial institutions is its leadership duties, for it has the right of supervision, examination, and the power to adopt compulsory measures to control their credit activities.

As to the internal and external workings of specialized banks, the People's Bank can determine and maintain the direction of enterpreneurial reform, carry out the separation of government from enterprise management, and set up the responsibility system. It can also approve the limits of suitable banking services as well as give impetus to and apply pressure on banks to work hard on upgrading management. But because it is involved in a wide range of affairs and it lacks experience, steps must be implemented with care.

Regarding the relationship of banks and enterprises, banks have the unequivocal right, based on national plans and credit policies, to decide whether or not to extend loans and to determine how much to lend enterprises. These are self-management rights of banks. Banks do not have the obligation to "guarantee" funds needed by enterprises. At the same time, however, banks must bear the risks of the loans they extend.

Concerning the relationship between banks and government, it is expected that all levels of government will supervise and support banks in their efforts to carry out the nation's financial policies, but it must also guarantee that there is no encroachment upon the legal rights of banks. Banks have the right of self-management, so units and individuals cannot compel a bank to extend loans in defiance of policies.

Indirect financing (through banking institutions) rather than direct financing (through enterprises and individuals) will be the principle form of financing. Direct financing will also be allowed, but as a supplement. The "proposals" suggest that in managing and directing, the People's Bank of China should employ a variety of financial methods to actively develop the lateral flow of funds and promote the gradual formation of a money market.

Reforming the financial structure is a complex matter involving the overall situation; therefore, it must proceed with caution and prudence. Among the "proposals" are many important points that necessitate research into theoretical and practical problems. We must diligently study, draw from years of experience and proceed one step at a time.

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NINGBO PLANS CALL FOR 'SECOND SHANGHAI'

OW242020 Beijing XINHUA in English 1444 GMT 24 Apr 86

[Text] Beijing, 24 April (XINHUA)--Major port expansion schemes have been started at Beilun and Zhenghai ports in the eastern coastal city of Ningbo, Zhejiang Province, today's PEOPLE'S DAILY reported.

Two electricity power plants and an airport are being built. Construction of a computer-controlled telephone exchange service and other telecommunications, industrial, tourist and cultural facilities are all being speeded up.

The newly-built Ningbo University is expected to enroll students later this year, the paper said.

Planners aim to build Ningbo into China's "second Shanghai"--the country's largest port.

Investment for the city's major projects during the Seventh 5-Year Plan (1986-1990) will exceed the total figure of the previous 30 years. The central and local authorities have decided to spend 5.2 billion yuan. If all planned projects are finalized, the investment will exceed 13 billion yuan, 60 percent of which will be in foreign funds.

Officials of the State Council and local authorities and Sir Yue-kong Pao, chairman of the Hong Kong Worldwide [?Shipping] Group, discussed on Wednesday in Beijing a program for Ningbo's construction over the next 5 years.

The emphasis will be on developing deep-water wharfs and land transport facilities to lay a solid foundation for building Ningbo into an important industrial city and economic center.

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CSO: 4020/322

QINGDAO INCREASES PRODUCTION VOLUME OF EXPORTS

OW150955 Beijing XINHUA in English 0728 GMT 15 May 86

[Text] Qingdao, 15 May (XINHUA)--The volume to purchase export commodities in Qingdao came to more than 384 million yuan in the first 4 months of this year, 50.2 percent higher than the same period of 1985 or hitting an all-time high.

The volume of exports totaled 992 million yuan in 1985, with an increase of 11.7 percent of 1984. About 400 varieties of exports made in Qingdao, one of 14 coastal cities opening to the outside world in 1984, included food and oil, textiles, light industrial products, chemical products, handicrafts and soft drinks which found their market in 120 countries and regions in the world.

One of the most welcomed drinks was beer made in Qingdao Beer Brewery, providing about 100 million liters annually. About 47 million liters of beer were exported, thus earning 16 million U.S. dollars in 1985. And the volume of beer export came to 8.7 million U.S. dollars since last January.

In order to make fuller use of its favorable conditions and potential, and improve the quality of exports, the city government declared more than 30 special factories to produce for the international market. And the priority will be given to them.

Meanwhile, 6 counties of the city also set up 32 export production and processing centers which provided export products worth about 120 million yuan in the first 4 months of this year.

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CSO: 4020/320

BRIEFS

DEVELOPMENT PLANS REPORTED--Fuzhou, 14 May (XINHUA)--Fujian Province in east China will focus its development efforts on transport and energy power during the Seven Five-Year Plan period (1986-90). Speaking at the Fifth Session of the Sixth Provincial People's Congress which opened today, Governor Hu Ping said that two hydroelectric power stations and two thermal power plants would be built, which would add an installed capacity of more than 1.35 million kW. Then the annual electricity output will reach 11.4 billion kWh in 1990, an increase of 49 percent over 1984, Hu Ping said. During this period, the annual coal mining capacity will increase by 1.6 million tons, the governor said. On the development of communications, he said that a new electric railway of 514 km and 11 deepwater berths will be established. At the same time the construction of a section of a road linking Fujian with Jiangxi and Hunan provinces will be completed. He said that over the past five years the province has imported basic facilities to improve its transport and the power industry. As a result, harbor handling capacity of 2.14 million tons, coal mining capacity of 560,000 tons and installed power capacity of 406,000 kW have been added to the province. [Text] [Beijing XINHUA in English 1349 GMT 14 May 86 OW] /12858

CSO: 4020/324

AGGREGATE ECONOMIC DATA

BEIJING SHOWS ECONOMIC, SOCIAL DEVELOPMENT RESULTS

HK100510 Beijing CHINA DAILY in English 10 May 86 p 1

[By staff reporter Nie Lisheng]

[Text] Beijing municipality registered all-round success in its economic and social development over the Sixth 5-Year Plan period (1981 to 1985), it was announced here yesterday.

Total product income in increased by nearly 60 percent to 19.4 billion yuan, the annual averaging 2,040 yuan per capita, second only to Shanghai of all 29 municipalities, provinces and autonomous regions in the country.

Inflation-adjusted figures show that average workers' wages rose by 34.4 percent to 1,343 yuan, while suburban farmers' income more than doubled to 775 yuan in 1985, both figures marking the largest increase of all five plan periods since 1953.

At a press conference held yesterday to brief reporters on next week's Fifth Session of the Eighth Municipal People's Congress, Director Xu Yiliang of the city's Statistical Bureau announced that total industrial and agricultural output value had jumped by 51.5 percent to 34.96 billion yuan in the past five years at an annual growth rate of 8.7 percent, more than double the 4.3 percent rate originally set.

The city's total road mileage reached 2,979 kilometres by the end of 1985 after more than 500 kilometres of highway were built or extended, while the number of buses or trolleybuses increased by 1,480 to 4,593 with a total annual haulage of 3.34 billion passengers, 40 percent more than in 1980.

During the same period, the city nearly quadrupled the number of its taxis to 12,000, operated by more than 200 taxi companies, while 359 mini-buses have also been put into operation since 1984, carrying more than 3 million people.

Six large-scale fly-overs, seven road bridges and 14 pedestrian subways have also been constructed to ease traffic congestion at major crossroads, said Xu, who revealed that the municipal government spent a total of 2.92 billion yuan on public works construction in 1981-85, nearly double the figure for the previous 5-year period.

By the end of 1985, Xu said, 1.023 million households had gas supplies while water pipelines now served every building or courtyard. Central heating coverage has increased from 5.64 million square metres in 1980 to 9.16 million square metres in 1985.

An even larger investment of 5.17 million yuan was channelled into housing construction during the past 5 years, when the city constructed nearly 22.7 million square metres of floor space.

Unemployment dropped from 1.6 percent in 1980 to nearly zero in 1985, when the city employed a total workforce of 3.8 million, 558,000 more than 5 years ago.

Tourism and joint venture businesses have been flourishing in the city, Xu said. Last year, Beijing received a record of 937,000 international tourists and had a total tourist income of 940 million yuan in foreign exchange. The number of overseas hotels nearly tripled to 63, with 16,000 rooms and 32,000 beds.

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CSO: 4020/321

AGGREGATE ECONOMIC DATA

MINORITY NATIONALITY AREAS ATTAIN TARGETS

OW062042 Beijing XINHUA in English 1109 GMT 6 May 86

[Text] Beijing, 6 May (XINHUA)--People living in China's minority nationality areas have fulfilled all the targets set in the Sixth 5-Year Plan (1981-85), an official of China's Nationalities Affairs Commission announced here today.

In the past 5 years, he added, the economies of these regions have been developing steadily.

In 1985, total industrial and agricultural output value of these areas reached 79 billion yuan--14.6 percent more than in the previous year or 58.6 percent more than in 1980.

During the Sixth 5-Year Plan period, the average annual increase of the industrial and agricultural output value of the areas was 9.7 percent, as against 6.6 percent in the preceding 28 years.

The agricultural output value of the autonomous areas last year was 35.1 billion yuan, an increase of 8.1 percent over 1984 or 45.2 percent more than in 1980. The average annual growth rate was 7.7 percent in 1981-85 as against 3.5 percent in the previous 28 years.

In 1985, the number of industrial enterprises in these areas had grown to 40,000, with their output value (including that of village-run industries) totalling 43.9 billion yuan--20 percent more than in 1984.

At the same time, the living standards of peasants and herdsmen living in these areas improved steadily, and the average increase rate of their actual [word indistinct] of urban residents was anywhere between 5 percent and 8 percent.

China has a total of 55 minority nationalities, totalling some 67 million people, or about 6.7 percent of the country's population. Minority nationality atonomous areas account for 60 percent of the country's total land.

Last year, the total industrial and agricultural output value of the five autonomous regions of Inner Mongolia, Xinjiang, Guangxi, Ningxia and Tibet was 54.2 billion yuan, and industrial output value, 32.8 billion--9.2 percent and 19.3 percent more than the previous year respectively.

Of the five autonomous regions, the Xinjiang Uygur and Ningxia Hui Autonomous Regions fulfilled their main targets set in the Sixth 5-Year Plan, 1 year ahead of schedule, and the industrial and agricultural output value of Xinjiang ranked 14th for several years running among the 29 provinces, municipalities and autonomous regions on the Chinese mainland.

/12232
CSO: 4020/321

BRIEFS

LIAONING ECONOMIC ACHIEVEMENTS--Under the leadership of the party and government, the people of all nationalities in Liaoning Province vigorously implemented the principle of invigorating the domestic economy and opening to the outside world, persisted in putting reforms in the first place, defeated rare natural disaster at one blow, and enabled the national economy of Liaoning province to witness an excellent situation of sustained, stable, healthy, and balanced growth. The provincial statistics bureau released on 9 February a bulletin on Liaoning's national economic and social development in 1985. It revealed the following figures: In 1985, Liaoning's gross value of social products came to 102.45 billion yuan, an increase of 13.6 percent over 1984; its gross value of industrial and agricultural output amounted to 80.03 billion yuan an increase of 13.4 percent; its national income was 40.09 billion yuan, an increase of 9.9 percent; its total agricultural output value was 14.06 billion yuan, an increase of 9.9 percent; and its total industrial output value was 65.72 billion yuan, an increase of 14 percent. Of the fixed-asset investment of state-owned units, capital construction investment accounted for 5.61 billion yuan, an increase of 44.7 percent over 1984. The annual local revenue came to 7.93 billion yuan, an increase of 1.05 billion yuan or 17 percent over 1984. [Text] [Shenyang LIAONING RIBAO in Chinese 9 Feb 86 p 1] 12302

CSO: 4006/919

ECONOMIC MANAGEMENT

XUE MUQIAO DISCUSSES COMMODITY EXCHANGE

Beijing WUZI GUANLI [MATERIAL MANAGEMENT] in Chinese No 1, 20 Jan 86 pp 5-7

[Article by Xue Muqiao [5641 2550 2890], as part of his new book, "Zhongguo Wuzi Maoyi Zhongxin" [China's Material Trade Centers"] to be published by the China Materials Publishing Company: "Promote Commodity Exchange, Expand the Role of the Market"]

[Text] China's socialist economy is a planned commodity economy that centers around the system of public ownership of the means of production. Since it is a commodity economy, commodity exchange must be conducted on the market. Old China was a country in which the commodity economy was not fully developed, and market exchange was in an early stage of development. Our creation, after the establishment of New China, of the planned management system limited instead of promoted commodity exchange and reduced instead of expanded the scope of the market. For a long time we believed that the means of production were not commodities, and therefore replaced commodity production were not commodities, and therefore replaced commodity exchange with planned allocations. There was no market for the exchange of capital goods. For an important portion of consumer goods, state requisitions, centralized purchasing and planned distribution took the place of a capital goods market. This was in violation of the objective laws of economic development and stifled the entire national economy.

After the 3d Plenum of the 11th CPC Central Committee in 1978 we admitted that both capital and consumer goods were commodities, and that it was necessary to develop a market for commodity exchange. We eliminated part of the planned management system that had been restricting the commodity market, reformed the system of commerce, replaced monopolized administration with diversified management, reduced the scope of planned distribution and expanded market exchange, stimulating the economy as a result. The 3d Plenum of the 12th Central Committee declared even more clearly that China's socialist economy was a planned commodity economy, and that it would be necessary to further promote commodity exchange and expand the role of the market. Capital goods were to be exchanged on the market using negotiated prices outside of that portion to be allocated according to the plan. The centralized requisition and purchase of agricultural products and planned distribution (limited distribution) of agricultural products were to be gradually eliminated and restrictions on the market and prices were to be ended in order to implement a system of market regulation under the leadership and with the participation of state-run commerce. The bureaucratic distribution system of daily necessities involving three levels of wholesale stations was replaced by a diversified system involving the state, collective and individual in which state-run commercial sectors conducted purchasing and sales on commission and the factories sold their own products. The market became even more prosperous than before.

However, due to many years of favoring industry at the expense of commerce, the exchange of industrial and agricultural products between city and countryside and between regions is not sufficiently lively. Unsold products pile up frequently in one location while going out of stock in another. Despite the fact that many peasants and herdsmen in regions in the southwest and southeast where there are surpluses of cotton and cotton cloth lack cotton clothing and quilts, problems involved in the purchase and sale of quite a few products are far from being resolved. The development of the commodity production and the expansion of market exchange are issues that urgently need to be addressed in order to develop industrial and agricultural production and improve the people's living standards.

There are still quite a few difficulties involved in the exchange of capital goods. Although negotiated purchases and sales of capital goods are permitted, markets for the exchange of capital goods are not yet widespread and buyers are sent in all directions, while speculative activities involving making huge profit by illegal resale are developing rapidly. There have been newspaper accounts of steel products, still in the same storage facility, being sold and resold 4 or 5 times, drastically driving up prices. Despite steel shortages in recent years that have necessitated the annual import of more than 10 million tons, steel warehouse inventory has not only not been reduced, but is constantly increasing. Many units are competing to purchase steel products not to use in production or construction, but to resell for huge profits. A good way to resolve this problem would be the creation of capital goods exchange markets (they could also be called trading centers), to facilitate direct contacts between the producer and the consumer. When it is easy to purchase raw materials, hoarding by all levels of materials departments and enterprises would not be necessary, which would greatly alleviate shortages of these materials and lower negotiated purchasing and sales prices. Since we recognize that the means of production are commodities, we should create a network of markets for their exchange. Without such a market, it will be impossible to smoothly engage in commodity exchange with low circulation costs. A Japanese friend told me that annual steel output in Japan is around 100 million tons, of which 5 million tons is normally in storage, or the equivalent of approximately 5 percent. In China 40 to 50 percent of all steel inventory output is inventory. All raw materials can be freely purchased at any time in Japan, so most factories do not have more than 1 month's inventory at any one time. Due to the difficulty of obtaining materials in China, we often begin to feel nervous with inventories that could last 5 to 6 months. Therefore, the creation of a market for the exchange of capital goods would be an important method in alleviating shortages of raw materials (especially steel).

Of course, the fundamental reason for shortages in the supply of the means of production is the excessively large scope of capital construction. Therefore the main way to alleviate shortages is to shrink the scope of capital construction and restore the balance between overall supply and demand of the means of production. The scope of capital construction in China from 1978 to 1980 was too large. Every year nearly 10 million tons of steel were imported, while steel inventories mounted. With the reduction of the scope of capital construction in 1981, less steel was imported and inventories took a marked dip. Clearly the overly large scope of capital construction was the basic cause of the steel shortage. Plus, without a market for the exchange of steel, the piling up of steel products in warehouse intensified the shortage. In 1980 I visited a capital goods market in Shanghai consisting of only a few dilapidated buildings. Many factories had brought detailed inventory lists of their materials piling up in storage to the market to engage in exchange. In this way, needs for some materials that could not be satisfied by applying to the materials bureau were met. At the time I suggested building the dilapidated sheds into a large building, allowing each large factory to rent a room to engage in exchange at the market. Factories that could not lease a room could also be allowed to trade there. The Bureau of Goods and Materials could participate on market trade and win a dominant place for itself taking advantage of its vast forces. A minority of regions are now constructing markets, but they are far from satisfying the needs of capital goods exchange. Some places are currently experimenting with allowing materials sectors to conduct centralized management over negotiated purchasing and selling without allowing direct contact between seller and buyer. This is still the old method of replacing market exchange with distribution and allocation, and it will probably not bring about a fundamental resolution of the problem.

The exchange of consumer goods is a bit better than that of capital goods, but the capacity of the consumer goods market is insufficient to meet the needs of urban and rural residents. As the few department stores in large cities are unbearably crowded, small shops should be built for the convenience of the residents. Middle- and small-sized cities must create vast commercial networks, and increase commodity supply to avoid the problem of everyone crowding into the large cities. Rural market towns had once been centers for commodity exchange between city and countryside. But due to the monopolistic business practices of the Ministry of Commerce and the supply and marketing cooperatives from the 1950's to the 1970's, small private shops were eliminated, but it was impossible to build so many state- and collective-run shops to replace them. As a result, shops in many market towns that had thrived before liberation were turned into residences, while business slowed to a standstill and the residents had to go into the city to purchase commodities they needed. Even though commodity production has increased nearly 100-fold in 30-odd years, there are fewer shops and stores than before. Even in big cities, many smaller shops were turned into residences, which led to bad overcrowding in a few large department stores. Commodity exchange must be expanded at the same time that commodity production is increased. At present there is too much of an imbalance between the two. Of course, not only is commerce unsuited to the needs of commodity production, but so are communications and transportation as well. The CPC Central Committee's call to develop tertiary industry is a strategic principle.

Due to the inability of state-run and collective commerce to satisfy needs, there has been swift development in recent years of individual commerce and peddling. Although this is necesssary, independent peddlars cannot be used to substitute for state- and collective-run shops. State-run commerce (the largest portion of which is locally administered at the city level), should maintain its dominant position on the market. Collective commerce plays a strong role in supporting state-run commerce (and probably holds a dominant position in the countryside), and the self-employed, individual merchant is a necessary complement to it. In capitalist countries, large- and middle-sized stores also dominate the market, leaving a supplementary role for the smaller, individual merchant. In socialist countries socialist state-run and collective stores should occupy an even more dominant position. Small, independent merchants play an important role in stimulating the market and should not be squeezed out, but they are, after all, more difficult to supervise than state-run and collective shops. There are also more instances of deception and more problems involved in managing prices and taxes. Of course, compared to industry, commerce should be a bit more decentralized. It is our guiding principle to develop the state-run, collective and individual simultaneously and allow them to compete. State-run commerce could predominate in the trade of the most important commodities and products in large quantities, while lesser commodities and most of the retail trade could be undertaken by the collective or individual sectors.

After the great development of the commodity market, and in particular the implementation of the policy of developing state-run, collective and individual sectors together, market management must be strengthened. After the establishment of New China, market management was in fairly good shape due to the widespread existence of private industry and commerce. At the time, the Industrial and Commercial Management Bureau had a good deal of authority over market management. After the completion of the transition to socialism, in particular after the beginning of monopolistic practices by the commercial sectors, the management work of the bureau was replaced by the administrative management of the Ministry of Commerce, Bureau of Goods and Materials and the Marketing and Supply Cooperative, greatly reducing the bureau's power. With the overall economic reform and the diversification of commerce, we should expand the bureau's power to manage the market. Strict market management must be exercised over small independent merchants, and the state-run and collective commerce must be supervised as well. While there is cheating in independent commerce (although most private merchants are honest), deception in state-run and collective commerce has not been entirely eliminated either. For example, many cases involving the sale of phony medicine and liquor and other practices harmful to the consumer have occurred in state-run factories and stores. As they are enterprises run by local authorities, local Industrial and Commercial Management Bureaus have a hard time dealing with them. From now on, we should strengthen economic law and improve the legal system so that the bureau and other management organs have the power to intervene in any case involving violation of the law. If an enterprise resists supervision, an appeal can be made to a higher authority. If the higher authority protects the enterprise's illegal activities, an appeal should be made to the courts. Consumers' associations have been set up in many places to assist market management organs in improving their work. If market management organs engage in favoritism and irregularities, the consumers' associations should report and expose such behavior to the relevant higher authorities or seek to curb them via mobilizing public opinion through the media.

12221/12859
CSO: 4006/875

YINCHUAN, NINGXIA COMMERCIAL OUTLETS MULTIPLY IN 1985

Yinchuan NINGXIA RIBAO in Chinese 10 Dec 85 p 1

[Article by Cao Shuchun [2580 2885 2504], Jia Wenyong [6328 2429 3057] and Jiang Lin [5592 7792]: "Results of Ningxia's Construction of Commercial Network Outlets in the Sixth 5-Year Plan Gratifying; The Masses' Difficulties in Buying, Eating, Housing, and Repair Achieve Preliminary Resolution; 12.5 Commercial Network Outlets for Every 1,000 People in the Yinchuan Urban District, Entering the Front Ranks Nationally"]

[Text] Development of Ningxia's commercial outlet network has made gratifying progress during the Sixth 5-Year Plan. The number of people served by each network outlet dropped from 639 in the Fifth 5-Year Plan to a current 124.

New Developments in state-run commercial outlets: state-run commercial outlets may reach 3,600 by the end of 1985, an increase of 46 percent over the Fifth 5-Year Plan, and an average annual increase of 9.2 percent. In addition to local financial allocations, relevant central government departments have also invested in these newly added network outlets. There has been an increase in minority nationality development funds used in developing the commercial outlet network, with a special investment of 6 million yuan between 1983-1985 to be used in outlet construction in the minority nationality prefectures of Xiji, Haiyuan, and Guyuan, and the counties and cites belonging to Yinnan Prefecture. In strengthening the function of state-run commercial enterprises as principal conduits, these newly added outlets are performing an important role in market regulation.

The swift development of collective and individual commercial network outlets: by the end of November 1985, collective commercial enterprises of all types may reach 2,800, a 42-percent increase over the period of the Fifth 5-Year Plan, and an average yearly increase of 8.4 percent. Individual commercial enterprises, beverage services, and repair enterprises grew even more quickly, with an 11.68-fold increase over the Fifth 5-Year Plan period. These collective and individual commercial outlets are either set up jointly by different units and the community youth they organize or self-run by idle community members and community youth who have raised capital on their own. Management is lively and service thorough. In isolated mountain districts and in some farm villages where transportation is difficult, a group of people have appeared who travel around a string of villages in the countryside and shoulder their loads of goods to the door. Farmers can buy daily necessities without leaving the village. Market, collective, and individual peddler spots spread out row upon row in the various areas of the great expanse of farm villages on market days. Trade is brisk, presenting a series of prosperous images.

Notable successes of Yinchuan City Commerce Bureau in employing a variety of forms to raise capital for development of outlets: commercial departments in various places have been actively restoring, rebuilding, and expanding some old networks during the Sixth 5-Year Plan; many methods have also been adopted to concentrate community funds for developing commercial network outlets. Yinchuan City is the most noteworthy. From 1984 to 1985, 20 commercial outlets have been opened or are under construction in the Yinchuan City commercial system. There is 1 square meter for every two urban residents. In the construction of these network outlets, privately-raised and community-collected capital accounts for 67 percent of the total investment. By the end of this November there were more than 3,540 state-run, collective, and individual commercial outlets in Yinchuan City (excluding Helan and Yongning counties and their suburbs), an average of up to 12.5 commercial network outlets for every 1,000 people, entering the front ranks nationally.

Coordinated fund-raising utilizing different channels and forms by the state, collectives, and individuals will forcefully accelerate commercial outlet development. Ningxia's outlets might number 33,400 by the end of November, 1985, a 4.4-fold increase over the Fifth 5-Year Plan. The number of people served by each outlet dropped from 639 in the Fifth 5-Year Plan to the current 124. There are 8.05 network outlets per 1,000 persons, in the upper-middle ranks nationally. The masses report that products are abundant, peddler shops many, purchasing easier, and the market much more prosperous than in the past. Ningxia's long-term shortage of commercial outlets has already changed, while purchasing, eating, housing, repairs, and other difficulties have begun to be resolved.

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CSO: 4006/579

ECONOMIC MANAGEMENT

CITIC CHAIRMAN URGES IMPROVED ECONOMIC RESULTS

OW091946 Beijing XINHUA in English 1759 GMT 9 May 86

[Text] Beijing, 9 May (XINHUA)--China's enterprises urged today to strengthen their management and improve economic results to make greater contributions to the country.

Rong Yiren, chairman of the China International Trust and Investment Corporation (CITIC), was addressing a financial planning meeting on CITIC-backed joint-venture enterprises. He stressed the importance of enterprises using foreign capital improving their economic performances.

Up to the end of last year, CITIC had helped set up 140 joint ventures, of which 39 were Sino-foreign ventures and 101 were backed by CITIC with foreign capital. These enterprises are involved in textiles, light industries, food, chemicals, mining, metallurgy, electrical equipment, transport, communications, electronics and commerce, and are scattered in more than 20 provinces and cities as well as many foreign countries, including Australia, France, Kuwait, New Zealand, Spain and the United States, and Hong Kong and Macao.

Of these enterprises CITIC has helped to launch, 66 have gone into operation, and by the end of last year had made total profits of 13,800,000 yuan.

The four-day financial planning meeting, which ended today, was attended by representatives from more than 100 enterprises in 24 provinces and cities, and officials from the State Planning Commission, Finance Ministry, Foreign Economic Relations and Trade Ministry and the People's Bank of China.

/12858
CSO: 4020/324

NEW CHANGES IN PRODUCTION STRUCTURE OUTLINED

Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 14, 7 Apr 86 pp 17-18

[Article by Yue Bing [1471 0393]: "New Changes in China's Production Structure"]

[Text] During the Seventh 5-Year Plan period, China will make a series of major changes. An eye-catching one will be the change in production structure.

Three Major Changes in Agricultural Economy

Further readjusting rural production structure and gradually realizing the specialization, commercialization, and modernization of agricultural economy is one of the primary targets of the "Seventh 5-Year Plan." During the "Sixth 5-Year Plan" period, China successfully readjusted rural production structure. The grain acreage was reduced by over 130 million mu but the total value of agricultural output increased 233 billion yuan or more than 1-fold. The main reason is that as a result of the reform, the labor productivity of the farming industry has increased, a large amount of labor has begun to transfer from farming to non-agricultural production and township and town enterprises have developed greatly. Comparing the total social output value of 1985 with that of 1949, the ratio of industry is up from 25.2 percent to 53.9 percent and that of agriculture is down from 58.5 percent to 27.8 percent, indicating that China has begun to advance toward an industrial society.

Judged from production structure, China's industrial ratio is already close to two thirds of total social output value but agricultural population, which indicates whether a country has finally realized modernization, is still too high not to be alarmed. By the end of 1984, the number of laborers directly engaged in agricultural production in China remained as high as 320 million, accounting for 68.4 percent of total laborers. If China fails to change this situation fundamentally or if it fails to transfer successfully over a half of existing rural labor to other industries, its four modernizations drive will confront great difficulties.

During the "Seventh 5-Year Plan" period, while doing a good job in grain production, China will "actively support township and town enterprises, draw up rational planning for them, give them correct guidance and strengthen their management." In addition, China will emphatically develop the farm product processing industry and develop before- and after-production services such as the storage, packaging, transport, supply, and marketing of farm products. Where conditions permit, China should, according to actual needs and local conditions, vigorously develop subsidiary industries to supplement major industries and develop export-oriented processing industries. By developing such industries, China should realize the transfer of agricultural labor to non-agricultural labor in rural areas. This is a good way of changing production structure with little investment, quick results, good efficiency, and little shock.

The Rise of New Industries

In October 1983, in view of the "third wave" and the "new technological revolution," which were widely discussed in the developed Western countries, Premier Zhao Ziyang suggested that we pay attention to studying the trend of the new world technological revolution and China's countermeasures. In the past few years, Chinese experts have conducted arduous, painstaking, thorough, and extensive studies around this issue and turned out many valuable research reports and countermeasures. They contend that in order to realize as soon as possible the modernization of production structure in China, equal attention should be paid to the development of traditional and new industries and priority should be given to the technological transformation of traditional industries while doing a good job in the establishment and development of new industries. Because of this, the electronics industry should be considered the leading industry and pillar and back-bone industries such as agriculture, machine-building, and building industries as the second echelon in industrial development. The third echelon consists of basic and weak industries in China's economic development including three major basic industries--energy, transport and communications, and materials--and the tertiary industry such as commodity circulation and service trade. This should be considered the basic framework for the transformation of China's production structure.

Along this train of thought, during the "Seventh 5-Year Plan" period, China should focus on developing microelectronic and information technologies and new materials while strengthening the research and development of such new technologies as biological engineering, space, nuclear, laser, and marine industry, fully developing the functions of old bases and gradually establishing several new industries.

In the meantime, the state will increase investment in major construction prjects in the fields of energy and raw materials and increase their ratios in state investment. In the energy industry, efforts should be focused on the development of electric power to strive to bring national power output to 550 billion kwh by 1990, an increase of 35 percent over 1985. In the raw materials industry, great efforts should be made to develop the iron and steel industry, which already is "a sunset industry" in some developed countries. However, proceeding from China's national conditions, the iron and steel industry needs to be further developed. It needs to increase not only output but also the variety of products, improve the quality of products, and increase the ratio of high performance steel products such as alloy steel and low alloy steel in the total output of steel.

Accelerate the Development of the Tertiary Industry

The rise and growth of the tertiary industry is an inevitable trend resulting from the further development of social division of labor and the continuous improvement of labor productivity. It is also an important characteristic of modern economy. For a long period of time, China's tertiary industry has been very backward. By 1984, the output value of the tertiary industry accounted for only 22.1 percent of the total value of domestic output and the number of employees in the tertiary industry accounted for only 14.4 percent of the total number employed. This level is much lower than that of economically developed countries. It is even lower than that of many developing countries. The seriously backward tertiary industry, clogged transport channels, lack of information, and underdeveloped commercial, financial and technological consulting services have created many inconveniences in production and daily life. This is also an important reason for China's poor results in the use of capital and low efficiency in production. Because of this, during and beyond the "Seventh 5-Year Plan" period, the tertiary industry, especially transportation, communications, commercial, and catering services, should be considered the focus of vigorous development. This is an important strategic measure for forming a new production structure and an economic development pattern.

The domestic consumption pattern has changed drastically, setting forth new demands on production. Between 1978 and 1984, the per-capita net income of peasants in China increased 1.6-fold and the average per-capita wage of workers increased nearly 1-fold. Due to the substantial rise in the income level, the trend of the people's consumption has begun to change and consumption has begun to transfer from a stage dominated by necessities to a stage dominated by non-essentials. Plain print and old "three pieces" (wrist watch, bicycle, and sewing machine), which were hot-selling products for several decades, have begun to change from hot-selling to slow-selling products whereas the supply of the new "five pieces" (television set, cassette recorder, washing machine, refrigerator, and camera) falls short of demand. High-grade furniture, fine wool fabrics, high-class carpets, motorcycles, and even small automobiles have also begun to enter the homes of ordinary workers, peasants, and intellectuals. In only a few years, a tendency to switch from low to high class and from quantity to quality has emerged in the structure of demand.

Therefore, from now on, the food, clothing, and durable goods industries will be the focus of the consumer goods industry. They will make great efforts to increase the production of popular-brand, high-quality, and high-grade new products and upgrade and update China's consumer goods industry as soon as possible.

Structural Switch About To Appear

To realize the four modernizations in an all-round way, first of all, production structure must be modernized. Over the past 30 years, China's economic appearance has changed drastically, laying a solid foundation for the qualitative leap of production structure. The general idea of the "Seventh 5-Year Plan" has charted a correct orientation for this leap.

The new China has long relied simply on planning for the arrangement of the production structure of the whole society, resulting in a loss of control and poor management. Some industries or trades which should have been eliminated or shrunken a long time ago cannot be eliminated due to administrative support whereas some industries which should have been developed cannot be developed because no arrangement has been made in the plan or because economic parameters have been seriously distorted, resulting in the present irregular and irrational production structure. It would be very difficult to form a new rational production structure if we continue to follow this old path.

Therefore, on the basis of developing the mechanism of planning and the superiority of unified plans and guidances, we should bring in the market mechanism by means of reform and enable the production structure gradually to become rational by means of competition. This is the most effective mechanism for realizing the transfer of production structure. To do so, first of all, we should conduct thorough research, draw upon the successful experiences of developed and developing countries, and, in light of China's actual conditions, formulate scientific and feasible production goals and models to be used as the basis for the guidance of state policies. Second, state economic management departments, especially the planning commission, may, according to existing production policies and plans and through coordinating various economic parameters such as taxes, subsidies, and interest rates, change the market environment to protect the existence and development of some industries and trades and suppress the development of others to attain the goal of readjustment. Third, we should establish rules for the market mechanism and competition and enable all industries, trades, and enterprises to compete under the same conditions. They should decide on their own strategies and determine whether they can survive in accordance with the changes in social demand and the situation of market conditions. The key here is that there must be a rational pricing mechanism which can genuinely reflect the changes in social demand. A flexible rational pricing mechanism will lead to the rational flow of natural resources and enable production structure to become rationalized instead of causing the present "inverse effects." However, in order to do the above three things, we should further carry out reforms and, through reforms, open up a new road for readjusting production structure.

12302
CSO: 4006/957

BRIEFS

RESEARCHERS HELP YUNNAN FACTORIES--Kunming, 8 April (XINHUA)--Factories in Yunnan Province which lack technicians can now get help from researchers in schools of higher learning, provincial officials here have said. Staff members of universities, colleges and research institutes, who are eager to test their ideas in practice, have participated in 94 projects to boost production, and this in turn has contributed to their ongoing research. In one such project, researchers saved a light machinery plant plagued by outdated, unsellable products in a rural area 200 kilometers west of Kunming, the provincial capital. Working with factory workers, they developed a noodle-making machine that sold well on China's mainland and in Hong Kong, restoring prosperity to the enterprise. [Text] [Beijing XINHUA in English 0005 GMT 8 May 86 OW] /12858

NEW MANAGEMENT HELPS PORT--Shanghai, 9 May (XINHUA)--New self-management authority has enabled the port of Shanghai, China's largest, to begin to expand and upgrade its facilities in line with the country's economic development. All Chinese ports are managed by the central government's Ministry of Communications. But, according to Zhao Weichen, deputy chief of the Port Management Group of the State Council, China's highest governing body, there has been a significant transfer of power to local port authorities. The transfer, which eliminates the need for central government approval of expansion plans, was a "big decision for the central government and an important measure in restructuring China's communications system," Zhao was quoted as saying in today's ECONOMIC DAILY. The expansion plan made possible by the transfer of power "will boost the port's handling capacity and its economic efficiency," alleviating bottleneck problems caused by poor facilities and lack of an adequate number of berths, according to Zhao. The Shanghai port handles one-third of the country's cargo, he said. [Text] [Beijing XINHUA in English 1425 GMT 9 May 86 OW] /12858

CSO: 4020/324

TRANSREGIONAL FOREIGN EXCHANGE REGULATION EXPANDED

Hong Kong WEN WEI PO in Chinese 9 Apr 86 p 12

[Article: "Trans-regional Foreign Exchange Regulation Operations To Be Restored and Expanded This Year by the Bank of China--Admission of Chinese and Foreign Joint Ventures Still Being Studied"]

[Text] Wu Nianlu [0702 1819 7627], acting director of the International Monetary Research Institute of the headquarters of the Bank of China, revealed on 8 April that the Bank of China will restore in 1986 its trans-regional foreign exchange regulation operations and substantially increase the former rate of exchange in internal regulation. Currently, the internal exchange rate of Renminbi to the dollar is already 10 percent higher than the official rate.

Wu Nianlu revealed this information during an interview with the staff reporters of WEN WEI PO at the "Forum on China's Foreign Trade and Investment" which was held in Hong Kong on 8 April. He said the national foreign exchange regulation operation currently is applicable only to domestic enterprises and units and limited only to the part of foreign exchange retained by these units for their own use; therefore, the market will not be very broad. As for the question of whether Chinese and foreign joint ventures are allowed to take part in the regulation, studies are still being carried out and no final decision has been made yet. This is because foreign exchange can be regulated between two joint ventures according to rules.

Wu Nianlu said: As an internal operation of the Bank of China, foreign exchange regulation has been carried out for several years. However, due to various reasons, such as buyers outnumbering sellers and demand surpassing supply, this operation was suspended in 1986. Therefore, it is believed that restoring the operation and substantially increasing the exchange rate will better develop the function of regulation. As for how big the increase will be in the exchange rate, it is not appropriate to disclose it at the moment.

While talking about the issue concerning the Bank of China accepting irrevocable letters of credit issed by itself, Wu Nianlu said: At the end of 1985, the headquarters of the Bank of China held a national forum of all branch offices on the settlement of international accounts. The forum reiterated that no matter what happens, the Bank of China should and is fully obligated to accept and pay for all irrevocable letters of credit it issued if documents correspond to each other. No matter what happens to import companies and whether or not they are willing to pay, as the Bank of China, it must honor the contracts it signed for the letters of credit.

China decided at the end of 1985 to plan for the construction of monetary centers in Chongqing, Wuhan, Guangzhou, Changzhou, and Shenyang. Wu Nianlu said: These five cities are actually pilot cities for the national reform of the monetary system, which will be concentrated on the following two questions: 1) How to establish a socialist capital market, improve credit instruments, and develop the horizontal links of capital and 2) how to run specialized banks like an enterprise. We hope that through this year's trial reform we will gradually create conditions, explore new roads, and lay a solid foundation for the all-round reform to be carried out in 1987 and 1988.

12302
CSO: 4006/953

CHINA'S STATE BUDGET MANAGEMENT SYSTEM

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 86 pp 40-41

[Article by Hu Luoting [5170 2867 0080]: "China's State Budget Management System"]

[Text] I. Principle for the Establishment of the State Budgetary Management System

The state budgetary management system is a basic system for dealing properly with the relationship of budgetary distribution between the central and local governments and among the localities at different levels and for determining the scope of budgetary incomes and expenditures and management responsibilities at various levels. An important component of the financial management system, it occupies a dominant position in the system.

The basic principle behind the establishment of the state budgetary management system is "centralized leadership and decentralized management." It is derived from the principle of democratic centralism adopted by the party and the state budgetary management system. It is a principle determined by the political and economic system of the nation.

The purpose of implementing the principle of "centralized leadership and decentralized management" in the establishment of the state budgetary management system is to ensure that the major part of the financial power of the state should be centralized in the central government as dictated by the state budgetary management system and to make available to the state the necessary funds for key constructions while maintaining a certain degree of stability in the localities, so that their financial mobility may be enhanced year by year and that they may be in a position to promote their economic development. Taking the interests of the whole into account, this principle, while safeguarding the overall interests of the nation, also enables the state to delegate certain financial powers to the lower levels, so that they may have some freedom of action to meet the needs of local conditions. While enabling the concerned departments to exercise their initiative to the full, this principle also serves to motivate the enthusiasm of the localities.

II. Basic Contents of the State Budgetary Management System

1. Establishing the State Budgetary Management System

Establishing our state budgetary management system is closely linked to our political structure and the division of our administrative areas. All areas above the county level with first-class political powers are vested with first-class independent budgetary powers. The administrative management system of the nation is divided into two major categories, namely, the central and local systems. Likewise, the state budget is made up of the budgets of the central and local governments. The budget of the central government is made up of the budgets of the various units of the various departments of the central government and the budgetary estimates of the financial receipts and expenditures of the enterprises under the various departments of the central government. The budgets of the local governments are made up of the budgetary estimates of the provinces, autonomous regions, municipalities directly under the central government and cities and counties under the municipalities. The total budget of the localities at various levels is made up of the budgets of the localities at the lower levels and the budgets and financial income and expenditure estimates of the various units at the same level. The budgets for the people's governments at the rural and township levels are in the process of being established.

2. The Division of Responsibility in the State Budgetary Management System

In accordance with the principle of centralized leadership and decentralized management, the proper demarcation of the limits of authority and responsibility for budgetary management at various levels is essential for establishing a relationship between the interests of the whole and those of the parts and between the centralization and decentralization of power. Generally speaking, authority over the state budget should mainly be vested in the central government. In exercising centralized leadership, the central government assumes the responsibility for the formulation of financial guiding principles and policies, planning and rectification of the state budget and setting up major budgetary rules and regulations. Authority exercised by the localities includes the drawing up of overall budgetary plans for the localities, the flexible allocation and utilization of the financial resources of the localities, the drawing up of specific measures for the implementation of the unified policies, decrees, and systems of the central government and the enforcement of the detailed rules and regulations.

The state is responsible for achieving a balance of payments in the budget, regulating budgetary funds among the various areas, and providing assistance to the economically undeveloped regions in general and areas inhabited by the minority nationalities in particular. The localities at various levels are responsible for achieving a balance of payments at their own levels.

3. The Allocation of State Budgetary Incomes and Expenditures

According to the state budgetary management system, the degree of authority over budgetary management and the scope of operations at various levels are largely reflected in the allocation of budgetary incomes and expenditures.

Generally speaking, incomes and expenditures should be allocated according to the following principles: First, they should be allocated under unified planning with consideration being given to all the factors. In other words, we should proceed from the standpoint of the whole nation, make plans on an overall basis, ensure the success of the key projects and give due consideration to all the factors. Second, financial power and the power to act must be coordinated. That is to say, in the allocation of incomes and expenditures, we must ensure that the administrative units at various levels should have the financial power to perform their functions. Third, we must ensure that expenditures are in keeping with incomes and that the degree of authority given to the administrative units at various levels is in proportion to their responsibilities. In other words, we must, in the allocation of incomes and expenditures, establish a relationship between budgetary incomes and expenditures of the localities and a coordinated relationship among responsibility, authority, and benefits.

4. Flexible Financial Resources of the Localities

By flexible budgetary financial resources of the localities is meant that part of the funds allocated to and made use of the localities themselves. They represent a supplementary measure for reconciling the limits of authority exercised by the state budgetary management system and the division of incomes and expenditures between the central government and the localities. Part of the flexible budgetary resources of the localities is derived from the reserve funds set up by the budget and part from increased incomes and surpluses resulting from reduced expenditures. As stipulated by the budgetary management system, the central government, as from 1976, is to make available to the localities a certain amount of resources while allocations for local budgetary expenditures are being made, so that such resources may be used by the localities to develop local economic, cultural, and welfare operations.

III. Evolution of the State Budgetary Management System

Since the establishment of the republic over 30 years ago, our state budgetary management system has undergone a number of changes. The main trend is the evolution from the highly centralized management system adopted in the early years of the republic to the delegation of management authority to the localities at different levels under the unified leadership of the central government in the allocation of financial resources of the central government and the localities in keeping with the developments in the political and economic situation.

In the early years of the republic, the highly centralized and unified budgetary management system calling for unified incomes and expenditures was adopted to meet the need for the unified financial and economic management of the entire nation. All incomes and expenditures and all income and expenditure measures and standards were set in a unified manner by the central government; all financial receipts and expenditures were required to be incorporated into the state budget and most of the financial authority exercised by the state was vested in the central government. In 1951, when the financial and economic situation in the nation took a turn for the better, some authority in financial management was delegated to the lower levels and financial management was shared by the central government, the larger regions, and the provinces (municipalities under the central government). In 1953, when China embarked on its First 5-Year Plan in the development of the national economy, the localities were given a larger measure of authority over the management of their budgets with the adoption of the new three-level system of management shared by the central government, the provinces (autonomous regions and municipalities under the central government) and the counties (cities). The adoption of the new system has enabled the counties to bring their initiative into play in the financial management of the state budget.

Measures for the "classification and allocation of incomes" were adopted during the First 5-Year Plan. Budgetary incomes of the central government and the localities were divided into three categories, namely, fixed incomes, incomes allocated according to a fixed ratio, and readjusted allocated incomes. The allocation of expenditures was basically determined by the jurisdiction of the enterprises, businesses, and administrative units. The expenditures of the units were incorporated into the budgets of the departments to which they belonged. Expenditures for the reclamation of wastelands were disbursed by the central government to the localities as special allocations.

Between 1959 and 1970, the measure calling essentially for "division of the total amount, with revisions being made on an annual basis" was enforced. After the total incomes and expenditures of the localities had been approved by the central government, the ratio for the amounts going to the central and local governments was set and revised on an annual basis. This measure was adopted to meet the needs of the situation marked by considerable political and economic changes at the time.

At the start of the Fourth 5-Year Plan in 1971, the state put most of the enterprises and business units under the management of the localities. At the same time, the "income and expenditure contract" measure was adopted by the budgetary management system. According to this measure, the total amount of budgetary incomes and expenditures of the localities was set by the central government. Incomes over and above the amount of expenditures were paid into the budget of the central government according to the contract, while expenditures in excess of incomes were subsidized by the central government. At the end of the year, the surplus in budgetary incomes over expenditures was retained by the localities. The localities were made responsible for achieving a balance of payments. In 1974, the nationwide measure providing for the retention of budgetary incomes according to a fixed ratio, the setting of a ratio for the division of income surpluses, and the disbursement of expenditures according to the contract quota was adopted on a trial basis. While ensuring the localities a stable amount of flexible financial resources, this measure, due to the discrepancy between incomes and expenditures, failed to motivate the positive attitude of the localities to increase their incomes and reduce their expenditures to achieve a balance of payments and to implement the principle of establishing a proper relationship between the exercise of authority and the fulfillment of responsibilities. For this reason, the measure for the "division of the total amount with adjustments to be made on an annual basis" was readopted in 1976. In 1978, the measure for the "division of increased incomes and the establishment of a relationship between incomes and expenditures" was adopted on a trial basis in certain provinces and cities. The ratio for the division of added incomes was set by the central and local governments through consultation.

With a view to implementing the policy of the central government to readjust the national economy and to bring about a gradual reform of the economic system, corresponding reforms were made in 1980 in the state budgetary management system, and the measure for the "division of incomes and expenditures and the adoption of the contract system at different levels" to remain unchanged for 5 years was adopted by most of the provinces on a trial basis. At the same time, in order to cope with the actual circumstances in various areas, the measure for contracting the units for the completion of large-scale budgetary tasks and for the "division of incomes and expenditures and the payment of fixed amounts to the state (or payment of fixed subsidies by the state)" was adopted by the provinces of Guangdong and Fujian; the budgetary management system for the nationalities localities for "setting the limits in the division of incomes and expenditures, the amounts of subsidies and the amounts to be retained by the localities on a preferential basis" was adopted for the eight regions of Nei Monggol, Xinjiang, Xizang, Ningxia, Guangxi, Yunnan, Qinghai and Guizhou; the measure for "the assumption of responsibilities according to fixed contract terms" was adopted by Jiangsu on a trial basis. This budgetary system based on the principle of "cooking meals on different stoves" has served to enlarge the financial powers of the localities, to further strengthen the positive attitude of the localities in the management of their own affairs and financial matters and to facilitate the reform of the economic system.

IV. The Present State Budgetary Management System

Since 1985, the new system for "the categorization of taxes, setting the amounts of incomes and expenditures, the assumption of responsibilities at different levels" was applied by the state to the various provinces, autonomous regions and municipalities under the central government (with the exception of Guangdong and Fujian). The major features of the system are as follows:

1. Budgetary incomes are set at various levels based primarily on the categories of taxes, including the fixed incomes of the central government and the localities and the incomes shared by the central and local governments.

2. Budgetary expenditures of the central and local governments will continue to be set according to their jurisdiction. Special expenditures for which the localities should not be held responsible, such as relief for extraordinary natural disasters, are to be disbursed by the central govenrment instead of the local governments.

3. In accordance with provisions set up for the limits of incomes and expenditures of the provinces, autonomous regions and municipalities under the central government is to be turned over to the central government; if the

fixed incomes of the localities are smaller than their expenditures, a certain ratio of the amount shared by the central government and the localities is to be retained by the localities; if the fixed incomes of the localities and the amount to be shared by the central government and the localities and retained by the localities still fail to cover the expenditures of the localities, a fixed subsidy is to be paid by the central government. Once the ratio for the allocation of incomes, the amount to be paid to the central government and the subsidy to be paid by the central government have been determined, they are to remain unchanged for 5 years. The localities are to be permitted to increase their expenditures if their incomes are in excess of their expenditures and to reduce their expenditures if they are in excess of their incomes. The localities are to assume responsibility for achieving a balance of payments.

4. Measures for contracting the units for the completion of large-scale budgetary projects will continue to be adopted by the two provinces of Guangdong and Fujian. The fixed amounts to be paid to the central government and the fixed amounts of subsidy to be paid by the central government are to be readjusted according to changes in the income situation after reforms have been made. Within the period of 5 years, the amount of subsidy set by the central government and paid to the autonomous regions of the minority nationalities and the provinces accorded the same privileges as the autonomous regions of the minority nationalities is to be increased at the progressive rate of 10 percent annually.

The budgetary management system for the cities, autonomous prefectures and counties (autonomous counties and cities) is to be set up by the people's governments of the various provinces, autonomous regions and municipalities under the central government in keeping with the spirit of the new system approved by the State Council.

In view of the number of changing factors which have emerged during the reform of the economic system in the last 2 years and in order to deal with the question of distribution between the central and local governments more equitably, the fixed incomes of the central government are not to be shared by the localities, while the fixed budgetary incomes of the localities may be added to that shared by the central and local governments during 1985 and 1986, so that the localities may be able to meet their budgetary expenditures and "the distribution of the total amount" may be made according to the fixed ratio.

9621
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ANNOUNCEMENTS OF ANHUI BRANCH OF PEOPLE'S BANK

Hefei ANHUI RIBAO in Chinese 4 Apr 86 p 1

[Announcement of the Anhui Branch of the People's Bank of China by Yang Changzeng [2799 7022 1073], president of the Anhui Branch of the People's Bank of China in April 1986]

[Text] In accordance with the "Interim Regulations of the People's Republic of China for the Management of Banks" and other relevant provisions, the Anhui Branch of the People's Bank of China makes the following announcements on several issues concerning the management of financial organizations:

1. All businesses involving deposits, loans, personal savings deposits, discount on promissory notes, foreign exchange, account settlement, trust, investment, rent and lease financing,and securities collecting are considered financial businesses; all banks, trust and investment companies,and rural credit cooperatives engaging in financial businesses are considered financial organizations.

2. The People's Bank of China is the organ in charge of the management of financial organizations. Any department or unit intending to engage in financial businesses and set up financial organizations or any specialized bank intending to set up branch offices must, in accordance with the limits of authority prescribed by the "Interim Regulations of the People's Republic of China for the Management of Banks," report to the headquarters, provincial, prefectural, and city branches of the People's Bank of China for approval and the requisition of the "Permit for Engaging in Financial Businesses," and, in accordance with the "Regulations for the Registration and Control of Industrial and Commercial Enterprises," follow the procedures of registration and obtain a business license before opening the business.

3. The necessary establishment of financial trust and investment companies and urban credit cooperatives in large and medium-sized cities must conform to the relevant regulations of the People's Bank of China and obtain the "Permit for Engaging in Financial Businesses" from the People's Bank of China before they can begin business. With regard to the establishment of branch offices by rural credit cooperatives, the People's Bank of China will authorize the Agricultural Bank of China to carry out the examination and approval and the "Permit for Engaging in Financial Businesses" will be issued by prefectural

and city branches of the People's Bank of China. Rural credit cooperatives are not allowed to set up branch offices in urban areas.

4. It is not permitted for local people's governments at all levels to set up local banks.

5. Non-financial organizations are not allowed to engage in financial businesses. Financial and accounting companies, financial guidance stations, agicultural economic companies, and welfare funds established by rural areas to strengthen the management of public accumulation and welfare funds of former communes and brigades are not allowed to engage in financial (credit) businesses.

Individuals are not allowed to establish banks or other financial organizations nor engage in financial businesses.

5. All branches of specialized banks and other financial organizations established without the approval of the People's Bank of China are illegal. Industrial and commercial administrative and management departments will not issue them business licenses. Enterprises, units, individual depositors, and all of their business contacts and deposits will not be protected by law. Local people's banks should order them to close down and confiscate their illegal earnings according to law. The departments concerned should investigate to find out who is to blame for direct administrative responsibilities.

The above regulations are clearly stipulated in the "Interim Regulations of the People's Republic of China for the Management of Banks" and the "Interim Regulations for the Control of the Establishment or Abolition of Financial Organizations" issued by the People's Bank of China. This announcement is made especially to repeat these regulations.

12302
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EFFECTS OF MACROECONOMIC CONTROL ON MONEY MARKET DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 pp 22-24

[Article by Yu Ruixiang [0827 3843 4382]: "Macroeconomic Control and State of Money Market"]

[Text] Enterprises in many localities have recently complained about the shortage of funds, while newspapers and magazines have also carried articles with the appeal that the "emergency brake" should not be used to strengthen macroeconomic control and that the bank should not tighten the issuance of currency. These views have given the impression that the present shortage of funds has been caused by the bank's use of the "emergency brake" and its reduction of currency in circulation. This question deserves some study.

"Emergency Brake"

Strengthened macroeconomic control is an objective need for a planned commodity economy. This basic principle must be upheld at all times. At present, such control is even more necessary for the following reasons:

First, last year's economic growth was too fast and went beyond the capability of the national economy. In 1984, the gross national value of industrial and agricultural output increased 14.2 percent over the previous year, and from January to September this year, the total industrial output value again increased 21.1 percent over the same period last year. Such a high speed can hardly be maintained since it will be difficult for the development of energy, transportation, and raw materials to keep pace.

Second, the excessive speed of industrial and agricultural growth last year certainly had its material foundation after several years of economic development. However, stimulation from the use of foreign exchange was also one of the important causes. Such a high speed, achieved through reliance on the use of the state's foreign exchange reserve, cannot be maintained indefinitely and must be checked as soon as possible.

Third, last year's currency issuance was excessive, that is, excessive to the needs for commodity circulation.

To avoid tension and chaos in our economic life and to create a favorable economic atmosphere and financial environment for the reform, we must adopt the policy of strengthening the macroeconomic control and tightening the money market according to the general ideological guideline. We must also control the scope of credit and the amount of currency in circulation and ascertain a rational economic growth rate in order to ensure the sustained, stable, and harmonious development of the national economy. In handling the relationship between economy and finance in the past, we usually considered only the decisive effects of economy on finance and overlooked the countereffects of finance on economy. The bank's credit and cash plans must be based on production and circulation. However, these plans must not be treated as an economic appendage. If the bank must enlarge the scope of credit and increase the amount of currency in circulation no matter whether the economic growth is rational or not, then the restrictive role of finance on economy will be totally lost. Now, the strengthening of macroeconomic control in finance is stressed for the purpose of controlling the speed of economic growth by limiting the scope of credit and the amount of currency in circulation, and preventing the use of credit in the blind quest for output and output value which would bring chaos to our economic life. Of course, strengthening the macroeconomic control and tightening the issuance of currency does not mean an indiscriminate reduction of loans, but rather the need to proceed from realities with economic benefits as the main goal. We must resolutely restrict whatever should be restricted and actively support whatever should be supported in order to use money to the best advantage and to "cook with less rice." Some people believed that the bank was using the "emergency brake" in strengthening macroeconomic control and the money market was tightened suddenly and drastically with adverse effects on production and circulation. Since such a belief is based on some misunderstanding of the realities of finance, some explanation may be in order.

Let us look at the matter from the standpoint of credit and cash plans. Although the scope of credit and the issuance of currency were already excessive last year, the method of using the "emergency brake" or "going downhill" was never used in formulating the credit and cash plans of the current year. On the contrary, consideration was given not only to the strengthening of macroeconomic control, but also to the rational requirements of economic growth. The scope of credit this year has been enlarged even after the drastic enlargement of last year, while plans are still being made for the issuance of currency.

The balance of loans has by no means been reduced, but rather increased. This shows that in actual credit work, the question of using the "emergency brake" did not arise. It is true that the control of loans this year is stricter than in last year when loans were granted liberally. This is probably one of the causes for some localities' feeling that the money market has been tightened.

Now from the standpoint of currency circulation, it is true that this year's currency issuance has been reduced, but not much. In the first 6 months of this year, compared with the same period last year, the savings deposits in cash totaled 22.65 billion yuan, and the proceeds from commodity sales increased by 32 billion yuan. The fact that the amount of currency in circulation was increased under these conditions shows that the grant of loans and issuance of currency have continued to increase in the first half of this year.

For these reasons, the present problem is caused not by the adverse effects on economic development from the shortage of currency in circulation, but mainly by the excessive economic growth and the indiscriminate demands for loans. Precisely because of this, the CPC Central Committee pointed out in the Proposal for the Seventh 5-Year Plan: "In view of the present over-extended scale of construction, the amount of investment in fixed assets for 1986 and 1987 will remain roughly the same. In the last 3 years of the plan, it may be increased according to circumstances." This is a scientific approach of seeking truth from facts. It not only creates a favorable economic environment for the reform, but is also highly significant in guaranteeing a sustained, stable, and harmonious development of the national economy.

Shortage of Funds?

At present, some departments have the feelings that funds are in short supply. Besides the excessive speed of economic growth as the basic cause, there are also certain concrete problems.

(1) Last year, fund control was lax, and many projects were started on a large scale. The continuance of these projects this year has become an arduous task. In the case of Guangxi, for example, the investment in fixed assets reported by the localities in the autonomous region, after careful screening by the bank, still amounted to more than 600 million yuan, while the scope of credit defined by the central authorities was for only 300 million yuan. This shortfall was the cause of all the outcries.

(2) The enterprises did not have adequate circulating funds to meet the needs of increased production and had to turn to the bank for loans. According to incomplete statistics of eight branches of the People's Bank in Hebei, Liaoning, Heilongjiang, Shanghai, Jiangxi, Anhui, Sichuan, and Guangxi, the replenishment of circulating funds owned by the enterprises themselves amounted to 99.73 million yuan in 1984, only 0.34 percent of their circulating funds (including state allocations) for the same period, and the remaining required amount was underwritten by the bank. Under these conditions, any slight pressure from the bank would be keenly felt by the enterprises as a handicap to their operations.

(3) The poor management of enterprises and their serious financial waste aggravated the shortage of funds. As the situation now stands, the enterprises are in a position to share more profits, while the state has to underwrite their losses.

The Way Out?

In view of the present realities, the most important task for us in solving the problem of fund shortage is to check the excessive speed of economic growth and to use the available funds wisely in order to improve the economic results. Therefore, we must carefully attend to the following points:

(1) Strengthening the macroeconomic control and maintaining a sustained, stable and harmonious development of the national economy. The problem of funds is, in the final analysis, a problem of materials. There must be a normal development of the national economy and increases in the national income and material wealth before there can be a material foundation for the solution of the fund shortage problem. Therefore, it is extremely necessary for us to strengthen the macroeconomic control, to maintain a sustained, stable, and harmonious economic development and to eliminate the "exaggerations" in order to solve the problem of funds. At the same time, we must achieve a comprehensive balance, prevent the over-distribution of national income, and strictly control the scale of capital construction investment in order to increase the sources of revenues and credit funds. All these are the important means to solve the problem of funds, and none of them can be separated from a strengthened macroeconomic control and regulation.

(2) Correctly handling the relationship between needs and capability and doing our work meticulously and efficiently as long as it is objectively possible. The bank can only do what it can with loans within the scope defined by the state and then try to analyze, screen, and arrange the priority order of requirements so that the loans will be extended to the deserving ones and the money will be put to the best use. Applications for loans will be either accepted or rejected on the basis of the economic results. Those deserving support will be strongly supported and those requiring restrictions will be strictly restricted.

(3) Adopting practical and effective measures to ensure that the enterprises can continue to replenish their own circulating funds on the basis of developing their production and increasing their income. Two methods may be considered in speeding up the replenishment of the enterprises' own circulating funds: First, charging fees for the use of circulating funds allocated by the state and these fees should be kept in the People's Bank, to be used for replenishing the enterprises' circulating funds. Second, setting up a special "replenishment of circulating funds" account with the retained profits. The total retained profits will serve as the base figure and 10 percent of this figure should go into this special account. The bank will appropriately reduce credit for those failing to pay into this account and impose penalties on the amounts previously advanced. As to the circulating funds required when a new or expanded enterprise goes into operation, we must insist that the unit responsible for the project should provide 30 percent of the circulating funds, or the bank will not grant any loan. The same methods should apply to the new and expanded enterprises with investment provided for in the state budget. These methods are not only useful in controlling the scale of capital construction and the loans, but also in inducing the localities to provide for the necessary circulating funds according to regulations in building and expanding enterprises.

(4) Strengthening enterprise management and improving economic results in the use of funds. Experiences over many years have shown that it is much more difficult to improve the management and the economic results than to increase the growth speed and the output value. The improvement of management and economic results is particularly needed at a time when all enterprises are

vigorously striving for a high growth speed. Since improvement in these respects will not come in response to a general call, there must be economic legislation to hold the leadership of enterprises truly responsible for the use of funds.

9411
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FINANCIAL REFORM IN NORTHWEST DISCUSSED

Beijing JINGJIXUE ZHOUBAO in Chinese 9 Mar 86 p 4

[Article by Wang Runqing [3769 3387 7230]: "How to Reform the Financial System; A Review of the First Northwest Regional Conference on Financial Theory"]

[Text] The first Northwest Regional Conference on Financial Theory was convened late last year in Lintong, Shaanxi. Focusing on the issue of the reform of the financial system, the following two problems were explored:

I. The Professionalization of Specialized Banks

On the question of whether or not specialized banks can be operated as businesses, most comrades agreed that this must occur if the specialized banks are to enliven and enhance economic returns on their capital. Some pointed out that specialized banks are enterprises of a special nature, and are not ordinary enterprises. This is primarily reflected in the fact that: A. Specialized banks deal in special commodities--currency and credit--not ordinary commodities. B. Specialized bank revenues, expenditures and credit have their own unique laws of motion which differ from laws of commodity movement. C. The operational goals of the specialized bank include enhancing social benefit as well as increasing bank profits, which makes it more complex than the ordinary enterprise. D. The specialized bank has a unique double function and takes on financial management tasks given it by the state in addition to its business activities, which makes it different from the ordinary enterprise that is organized purely to conduct business. It is these special characteristics that require that adoption of special business practices in the process of professionalization. However, a minority of comrades believe that while it is acceptable to call for banking professionalization as a general goal, it would not likely work well at present for the following major reasons: 1. If professionalization were to be implemented, the problem of blind profit seeking would emerge. Current problems relating to interbank competition and risk-taking in credit would be unresolvable. 2. Specialized banks also have administrative and supervisory functions which are not suited to the functions of business professionalization. 3. There is too much administrative intervention at present, which would render bank autonomy meaningless. 4. It would be impossible to identify and delineate the powers, responsibilities and interests of the specialized banks; therefore it would be pointless to discuss their professionalization.

Many comrades who took part in the discussion believe that to reform specialized banks in the direction of business professionalization urgently requires a resolution of the problem of stifling control. (1) In the management of credit planning, the central bank controls both the amount and scope of the specialized bank's lending activities, allowing for a large volume of savings while limiting loan extension, which is not helpful in stimulating the use of capital. (2) Interest rates are too rigid, and no fluctuations are permitted. (3) Internal accounting is controlled too inflexibly. (4) Personnel agencies are controlled excessively so that there are frequent shortages of staff, something which is detrimental to operational work. Some people hold that the specialized bank is faced with several contradictions. The first is the contradiction between urban-rural supply and demand. The second is the contradiction between the overcentralized power of the leadership and the local banks' relative lack of autonomy. Only if these contradictions are resolved can the specialized banks gradually implement business professionalization.

To review the views of those present concerning how the specialized banks are to implement professionalization, everyone felt that there must be a genuine, close integration of responsibility, power and profit. (1) Power: includes the right to manage and adjust credit funds, to select fund-raising and credit methods, to choose loan customers, to determine the amounts and terms of loans and to exercise economic control. (2) Responsibilities: includes systems of responsibility over fund management, credit, business targets and economic accounting. (3) Profit: there must be a connection between economic returns of the banks and the economic interests of its staff. When business is good and profits exceed norms, bonuses should be raised and collective social benefits improved. The reverse should occur when business is poor.

As to the creation of specialized banks in the northwest, some comrades suggested the establishment of a Western Development Bank and a Western Animal Husbandry Bank, with general offices located in the west in order to encourage economic development in the region and make full use of its animal resources.

II. The Creation of a Capital Market and Amassing Social Capital

Everyone believed that this is an important component part of China's socialist market system, and that it should be gradually opened up. There were two different views that emerged in the discussion on the scope of the capital market. Some comrades believed that the term "capital market" refers to direct financial activities that take place outside of the state's plan for banking credit, but most comrades felt that the capital market should include indirect capital from the state's banks as well as direct capital from society. Some comrades suggested that China's capital market should: center mainly around state bank credit, allowing for all categories of credit; center primarily around indirect credit with various types of direct capital as supplement; center primarily around the vertical readjustment of capital with various categories of horizontal capital as a supplement, thereby distinguishing between the alternation of horizontal and vertical methods of capital accommodation.

As for the question of collecting social capital, everyone felt that this is a type of credit activity involving a direct contractual agreement between the extender and user of capital. The major forms of amassing social capital at present are issuing bank shares and bonds.

Everyone believed that the positive role of raising social capital should be affirmed, primarily because: (1) it is beneficial in accelerating the pace of the concentration and accumulation of capital; (2) it is beneficial in strengthening horizontal economic relations; (3) it is beneficial in increasing economic returns of society as a whole; (4) it is beneficial in the reform of the system of capital distribution of the banks; (5) it is beneficial to the transformation of consumer funds; (6) it is beneficial in importing capital and advanced technology and equipment from abroad; (7) it is beneficial to arranging for the employment of labor; (8) it is beneficial in improving the level of enterprise management. Some comrades believe it is helpful in affecting a more rapid transformation of enterprises into share-holding entities, but some comrades disagreed and believe that under socialist conditions, whether or not this should occur constitutes a major political question that requires further theoretical study.

The following problems relating to the amassing at the present time of social funds were raised: (1) the lack of leadership and the emergence of an aimlessness which is detrimental to the overall planning and disposition of funds and has led to the expansion of the scope of investment in fixed assets; (2) difficulties in controlling the direction of capital flow, which has led to blind and overlapping construction, attacks on key state projects and so on; (3) the excessive distribution of earnings which is detrimental to the rational arrangement of the growth of consumption funds; (4) administrative directives, rigid allocations, etc.

Regarding the enhancing of management over the collection of social capital, the comrades present believed that the creation and implementation by the state council "Management Code Concerning the Amassing of Social Capital" is urgently needed. Specific ideas include: 1. The fund raiser must be an economic entity with corporate status, and possess 10 to 30 percent of the total sum to be raised. 2. The principle of voluntary subscription must be adhered to. The subscribing enterprise cannot use circulating funds and bank credit to participate. 3. Capital that is to be raised for capital construction must first obtain a certificate confirming the project is part of capital construction plans from the supervisory organ. 4. Principle and interest cannot be returned until after a project is completed and returns come in. Dividends and bonuses cannot be added into costs and are to be distributed from after-tax profits. An upper margin should be delineated.

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CSO: 4006/877

BRIEFS

URBAN SAVINGS DEPOSITS--Beijing, 10 May (XINHUA)--Savings deposits in urban areas of China hit a record 100 billion yuan at the end of April, the ECONOMIC DAILY said today. The paper, reporting statistics from the Chinese Industrial and Commercial Bank, said this was up 25.44 million yuan from the same date in 1985. Most of the new savings has been in certificates of deposit for fixed time periods, according to the bank. [Text] [Beijing XINHUA in English 0158 GMT 10 May 86 OW] /12858

CSO: 4020/324

SHANGHAI AREA SHIPYARDS REPORT OUTPUT, QUALITY GAINS

Beijing CHUANBO SHIJIE [SHIP WORLD] IN Chinese No 39, 3 Oct 85 p 1

[Article: "Shanghai Shipbuilding Industry Advances Admidst Reform"]

[Text] Under the impetus of the party Central Committee and State Council policy for economic system reform, an on the basis of last year's successes, the Shanghai area's shipbuilding industry again showed new development and sustained economic and production growth. In facing this year's tasks, Shanghai companies devised battlelines of intracompany labor competition which promoted production development and quality upgrading. Gross value of industrial output [GVIO] and value of repairs both exceeded figures for the same period last year. The specifics are as follows.

1. New Ship Production Rose Steadily

GUIO through August was 69.4 percent of the annual plan, a real increase of 4.4 percent compared to the same period last year. The value of ships repaired fulfilled 99.6 percent of the annual plan, 36.9 percent more than the amount completed in the same period last year. The Zhonghua, Jiangnan, and Hudong shipyards have completed the planned repair value for this year ahead of time.

Work was completed on: one 36,000-ton freighter, four 20,000-ton freighters, one 5000/7000-ton multiuse ship, and two 5,000-ton freighters, all of which were finished and delivered according to plan. Work was begun on: two 35,000-ton freighters, one 65,000-ton tanker, one 20,000-ton freighter, two 5,000/7,000 ton multiuse ships, and two 5,000-ton tankers, all under construction according to plan.

Each shipyard completed its own responsibilities. The Jiangnan Shipyard was assigned construction of six ships in the 10,000-ton-and-over class in the annual plan, and has actually completed three to date. The current rate of ship construction is very fast. A 20,000-ton No 3 freighter has already been launched and tested; docking equipment for a No 4 boat has been completed. Of those ships under construction; a No 1 35,000-ton freighter is in the process of being assembled in the slipway while a No 2 ship has finished assembly and is on the slipway. Besides fulfilling its own responsibilities, this shipyard has also agreed to take on the final phases of construction, testing, and delivery of a 300-container-capacity container ship for the Wuhu Shipyard. This ship has already been transported to the Jiangnan Shipyard and is currently undergoing final construction.

The Shanghai Shipyard's status is also very good. It was slated to produce three 10,000-ton and up ships in this year's plan. To date, two ships ahve been completed and a third 20,000-ton freighter (a Zhenfen No 9) is undergoing in-harbor testing. Confidence is very high at this yard as it is obvious that their annual plan quota will be fulfilled ahead of schedule. At the Qiuxin Shipyard, the construction rate is also emphasized; two ships have been finished and delivered so far this year. Two 8,200-ton No 3 container ships have benn constructed by the Zhonghua Shipyard and are currently being tested at berth.

In order to be even more outstanding, the Hudong Shipyard conducted special worker mobilization meetings to accelerate construction. Many workshops, technical offices and other personnel groups stood up and made it plain that they were determined to fight on to the end of the year. With the completion of a 36,000-ton freighter as a base, the factory made even more progress in improving its pace construction. At the moment, a 36,000-ton No 2 freighter has been launched and will soon be delivered. Construction on a No 3 ship has also been stepped up, with launching in the near future.

Engine-production results were also good. Cumulative statistics through August show completion of 130,246 horsepower, 55.6 percent of the annual plan, and an increase of 24 percent over the same period last year. Anchor chain production achieved 77 percent of the annual plan, up 19.3 percent over the same period last year.

2. New Improvements in Product Quality

New quality improvements over the current year were a result of several factors. All shipyards continued to strengthen their quality work by employing the quality-first directive, setting up quality guarantee systems, and establishing quality criteria for acceptance of goods. In addition, quality grades and "create excellence" programs were vigorously initiated in order to make employees firmly aware of the great importance of improving product quality.

The 21,000-ton No 4 coal boat and 20,000-ton No 1 coal boat built by the Jiangnan Shipyard completely conformed to principal measurements and deflection requirements. The cabins of these boats were also precision tested for rate of leakage with an average 1.05 instances per cabin, while the 20,000-ton freighter's rate surpassed the standard at 0.3. The rate of meetiong delivery testing requirements the first time reached 99 percent. Speed-test results all surpassed contract requirements. Four 21,000-ton bulk cargo ships have been in service for a half year; their owners expressed satisfaction with their quality. A No 2 ship fared well under testing in a gale-force storm--the ship's internal structure and other parts were all in good technical condition.

Following identification and resolution of key problems, the Hudong-produced medium-speed diesel 12E390 V-engine had increased performance as well as far superior reliability. After installation and testing in a ship, the engine received praise from users.

The principal measurements of a 5,000-ton ocean freighter built by the Qiuxin Shipyard reached blueprint specifications, and the same welds were very well formed. Installation and adjustment of main equipment, engine, and electrical systems all conformed to plan. After an ocean-going test of all principal technical capabilities attained design specifications, the ship took its maiden voyage to Japan where it received good reviews from its owner.

The 3,200-horsepower tugboat built by the Donghai Factory has completed work called for in the blueprint and is ready for testing. The quality of this boat is excellent and surpassed all of the design technological targets.

The 5,000/7,000-ton multipurpose freighters constructed by the Shanghai and Zhonghua shipyards also had new improvements in both welding and assembly quality.

13088/12948
CSO: 4006/287

BRIEFS

STATE EXPANDING SHIPBUILDING CENTERS--Beijing, 12 May (XINHUA)--China plans to expand six shipbuilding centers in the 1986-90 period, according to INTERNATIONAL BUSINESS journal. These are the Dalian shipyard, the Zhonghua, Shanghai, Jiangnan and Hudong shipyards in Shanghai and the Guangzhou shipyard. By 1990, their output will make up for two-thrids of the total of the China State Shipbuilding Corporation. Projects planned during the next 5 years include improving the servicing facilities for a slipway for 100,000 DWT-class ships in Dalian shipyard, and adding an assembling and welding platform to enable Hudong shipyard to produce 60,000 DWT-class ships. The China State Shipbuilding Corporation has contracted to build 112 ships and marine oil-drilling platforms for export since 1979, earning 1,270 million U.S. dollars of foreign exchange. In the first quarter of this year, it signed contracts with foreign firms on the export of eight ships totalling 220,000 DWT. The journal said that China is now able to build ships up to any international standards, sailing in any navigable water and carrying flags of any nation. [Text] [Beijing XINHUA in English 1224 GMT 12 May 86] /12232

MONGGOL WIND-DRIVEN GENERATORS--The Nei Monggol Autonomous Region has been vigorously producing wind-driven generators. According to statistics, the region has mainline and accessory facility manufacturing enterprises with an annual capacity of 15,000 units at present. Last year these enterprises produced 8,600 generators, 64 percent of the national total. Over the last few years, the Nei Monggol Autonomous Region Machinery Office has tried to change the backwardness of its pasture, forest, and mountain areas by greatly developing wind-driven generators. Last year they successfully developed eight models of wind-driven generators, three of which, the 50-, 100-, and 2,000-Watt models, have been put into large-scale production. The Shangdu Animal Husbandry Equipment Factory's 100-Watt model is a fourth generation model that has already been improved 27 times with a resultant 54 percent decrease in production costs and the lowest domestic price among comparable products. This generator also received the Autonomous Region's "excellent" rating. Because the wind-powered generators it produces are high quality, inexpensive, and easy to put into operation, the factory has already sold generators to over 20 provinces, cities, and autonomous regions. [Text] [Beijing ZHONGGUO JIXIE BAO in Chinese 20 Sep 85 p 1] 13088/12948

CSO: 4006/353

TIANJIN TOWNSHIP ENTERPRISE PRODUCT STANDARDIZATION PUSHED

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 14 Dec 85 p 1

[Article by Zhang Xiaojian [1728 2556 1696]: "Tianjin Municipality Township and Town Enterprises Make Remarkable Progress in Standardization; In a Survey of Nearly 3,000 Products, 21 Percent Put into Practice National Standards or Department Mandated Standards, and 64 Percent Put into Practice Enterprise Standards; The Quality of 8 of These Products Occupies a Forward Position Nationally"]

[Text] With market product competition increasingly fierce, the Tianjin Municipality township and town enterprise management departments are confronting the problems of some township and town enterprise products lacking trademarks and their products having low and uneven quality. All of the municipality's township and town enterprises have implemented across-the-board product standardization, thus bringing about a noticeable improvement in product quality and economic results and notable social benefits.

Recently, according to a survey of 2,900 different township and town enterprise products, 260 have implemented national standards and 356 have implemented department mandated standards, representing 21 percent of the products. More than 1,800, or 64 percent, have implemented enterprise standards. A portion of these enterprise products has achieved advanced national and international quality standards. In promoting standardization they have focused on the following tasks:

1. Training and establishing a corps of standardization personnel: since last year the municipality, districts, counties, townships, and towns have adopted the practice of running classes at different levels, holding separate professional training classes for basic standardization knowledge so that standardization personnel will be able to realize a new national standard in their work. More than 2,300 key technical staff were trained, forming a complete corps of standardization personnel. This year Jinghai County held separate standardization training classes for the county's 27 townships, and allocated full-time cadres for managing standardization work in each township. Ninghe County established a county standardization center and standardization work group office to promote the development of standardization work, and strengthened supervision and leadership.

2. Formulation of enterprise standards: since 1983, township and town enterprises, scientific research departments, and municipal industries have joined forces in manufacturing one after another a group of new scientific research products. These products have no domestic standards to follow. The Municipal Township and Town Enterprise Department's formulation of enterprise standardization for these products is an important task in promoting standardization. By the end of this October, the Municipal Bureau of Standards, following Municipal Township and Town Enterprise Department examination and approval, had formally issued 77 township and town enterprise product standards using Tianjin Municipality enterprise standards. Adopting international standards and foreign advanced standards, the Municipal Bureau of Standards recently certified six product enterprise standards for the small air compressors of Dongjiao District, the highly purified calcium stearate of Jinghai County, the organic Kaolin of Xijiao District, the building joints of the Danggu District, the galvanized steel tubing of Beijiao District, and electric welding rods of Dagang District.

3. Supervised testing of key products and of development of superior products: this year the Municipal Township and Town Enterprise Department and Municipal Bureau of Standards have jointly instituted supervised testing for plugs and outlets, beer, electric blankets, and ballast manufactured by township and town enterprises. When products are found to be substandard, the enterprise will have a limited period to improve and will be compelled to produce according to standards. With regard to rural enterprise innovative and good products, when asked to submit innovative and good product projects, standardization implementation forms must be submitted; forms for enterprise internal-regulation standards which are higher than national and department standards must also be submitted. Those that are qualified must also adopt international standards, thereby guaranteeing stable quality in innovative and good products. The eight products which have been judged this year as innovative and good in the municipality are organic Kaolin, bare copper wire, electric welding rods, ceramsite, building joints, and so forth. Since undergoing testing by the relevant municipal organs, product quality of all of these holds a leading position domestically, as they have received good evaluations.

13152/12859
CSO: 4006/579

SMALL-SCALE ENTERPRISES

SICHUAN TOWNSHIP, TOWN ENTERPRISE 1985 OUTPUT UP 48 PERCENT

Chengdu SICHUAN RIBAO in Chinese 16 Dec 85 p 1

[Article by Shen Xiangju [3088 7449 5468] and He Zhengkuan [0149 2973 1401]: "Sichuan's Township and Town Enterprises Complete Annual Plan Ahead of Time; Great Achievements in the Last Year of the Sixth 5-Year Plan; Gross Output Value Has Already Reached 13.1 Billion yuan, the Best Year in Economic Results in the Sixth 5-Year Plan Period"]

[Text] The steady development of Sichuan's township and town enterprises continued this year, exceeded the year's quota and completed the full year's plan ahead of time, and was the best year in economic results in the Sixth 5-Year Plan period. By the end of November, gross output value had already reached 13.1 billion yuan and income from sales had reached 10.28 billion yuan, 48-percent and 53-percent increases respectively over the same period last year, and correspondingly there also was an increase in tax funds turned over to the state and in profits earned.

With the province's rural industrial structure undergoing readjustment this year, farmer enthusiasm for running enterprises is soaring and rural enterprises continued to realize enrichment and development. Compared with the same period last year, Sichuan's township and town raw coal production rose by 28 percent, reaching 20 million metric tons. Iron ore, electricity generated, cement, brick and tile, food processed, silk products, hemp products, and tea leaves all grew by considerable margins. Currently, the output value realized in agricultural sideline processing, energy, mining, building materials, construction, and other industries is already over 70 percent of gross output value. Product mix is becoming increasingly rational.

This year Sichuan party committees and governments at all levels have fully emphasized correctly guiding the healthy development of township and town enterprises, and, in the new circumstances of the state tightening credit and controlling the scale of credit, conscientiously carrying out the provincial committee's guiding principle of "finding a living when things are tight, finding good things during shortages, and going all out to cooperate and make it through hardship," planning rationally, gauging abilities and acting accordingly, eliminating items that cannot go into operation this year, cutting down the scale of projects under construction, opening up multiple channels for funding sources, and guaranteeing that a large group of technological improvement items and priority items is successfully built and put into operation.

The provincial government will promptly provide 10 million yuan in special funds to support the development of "short, appropriate, and quick" items in rural enterprises, various localities will still bring in more than 10 million yuan in funds from various relevant departments inside and outside the province, and the masses will be mobilized to accumulate more than 700 million yuan in capital to alleviate the contradictions of insufficient capital. The township and town enterprise system is to do a solid job of renewing and reforming the potential of old enterprises, use the old to lead in the new, and strengthen the vigor of enterprises. Peasant household industries and joint enterprises are developing vigorously, and have become a new force in the rural enterprise system.

13152/12859
CSO: 4006/579

SMALL-SCALE ENTERPRISES

SICHUAN S&T PERSONNEL AID TOWNSHIP, TOWN ENTERPRISES

Shanghai WEN HUI BAO in Chinese 3 Mar 86 p 1

[Article by reporters Shen Zhuanxin [3088 1413 0207] and Deng Zhong [6772 6850]]

[Text] In order to bring modern science and technology to the industries of rural villages, more than 10,000 of Sichuan's science and technology personnel are helping to raise the management level of small and medium-sized township and town enterprises and are promoting technological progress. This activity is being carried out directly under the orders of the Sichuan provincial government.

Sichuan Governor Jian Minkuan [5592 3046 1401] realizes that science and technology, information and knowledge are required to make Sichuan wealthy as soon as possible. In promoting production in the peasant villages, science and technology are inseparable from the development of the commodity economy. Only when the commodity economy is developed to a certain level can science and technology be applied to the intensive requirements of productions. At present, there are many localities in Sichuan with self-sufficient small peasant economies, especially among the minotiry peoples dwelling in the mountainous regions and outlying districts, who lack the concept of a commodity economy. Moreover, lacking this kind of concept, they also lack any enthusiasm for the development of commodity production and naturally can have no interest in science and technology. When they arrived at the villages, the science and technology personnel had to develop a commodity economy to set an example for the farmers.

These 10,000 science and technology personnel were all transferred from institures of higher learning, scientific research units and large factories. The process of helping small and medium-sized township and town enterprises takes many forms. Some of them make up a cooperative network of science and technology personnel, forming a rather complete cooperative brigade of specialists serving the local small and medium-sized township and town enterprises. Some allow the technologically superior enterprises and resource-rich locations to sign joint agreements, and help by fitting in with their vocational specialties. Some produce many kinds of joint entities passing on their managerial knowledge to the town and township enterprises and cultivating talent. Some are building science and technology service organizations, providing consultation and leadership to the small and medium-sized township and town enterprises. And some have chosen suitable comprehensive experimental bases for the institutions of higher learning to carry out education, research and the promotion of mutual cooperation, trained a large backbone of science and technology for the peasant villages, and promoted the production of local enterprises.

13263/12851
CSO: 4008/2092

CONSTRUCTION

BRIEFS

CONTAINER DOCKS PLANNED--Beijing, 8 May (XINHUA)--China plans to construct 20 container and multiple-purpose docks over the next 5 years, according to today's edition of INTERNATIONAL BUSINESS. With construction of the docks, the country's total container handling capacity will increase from the present 7 million tons to over 10 million tons by the year 1990, said the paper which is published 3 times a week. China now has eight container docks. The new docks will be built in Shanghai, Dalian, Qinhaungdao, Qingdao, Linyungang, Ningbo, Nantong, and Nanjing. [Text] [Beijing XINHUA in English 1230 GMT 8 May 86 OW] /12232

CSO: 4020/321

ANNIVERSARY OF SINO-POLISH SHIPPING COMPANY MARKED

OW170826 Beijing XINHUA in English 0809 GMT 17 Apr 86

[Text] Gdynia, 16 April (XINHUA)--Chinese Minister of Communications Qian Yongchang expressed his thanks here today to the Polish Government for its "friendly help" to China by founding the Sino-Polish Shipping Company 35 years ago.

Addressing a ceremony marking the 35th anniversary of the founding of the Sino-Polish Shipping Company, the minister said the founding of the company played an "active role" in helping China break the economic sanctions imposed on China by the then government of the United States. The Chinese people and government appreciate and will remember forever this friendly help as an expression of proletarian internationalism.

The company has also played an important role in developing the economies of the two countries and made contributions to the friendship between the two peoples, he added.

With a more than 9-time increase in its volume of capital, the Sino-Polish Shipping Company now owns 23 ships with a total capacity of 350,000 tons, about 3.5 times over the first days of its founding. In the past 35 years, it has made about 2,300 voyages, carrying a total of 22.5 million tons of goods.

Adam Nowotnik, chief of the Polish Bureau of Maritime Economy, said that the company would go down in history with its great contributions which were made under extremely difficult and complicated situations to the mutually beneficial cooperation between the two countries. He expressed his confidence that the company will surely make greater contribution in the future to developing the economic cooperation and friendship between the two peoples.

/12232
CSO: 4020/322

FOREIGN TRADE AND INVESTMENT

BRIEFS

CSSR CHAMBER OF COMMERCE OFFICIAL--Beijing, 27 April (XINHUA)--Song Ping, state councillor and minister in charge of the State Planning Commission, met here today Ludvik Cerny, chairman of the Czechoslovak Chamber of Commerce and Industry, and his party. During the meeting, Song and Cerny expressed the wish to further economic relations and trade between the two countries. Cerny and his party arrived here yesterday at the invitation of the China Council for the Promotion of International Trade. [Text] [Beijing XINHUA in English 1224 GMT 27 Apr 86 OW] /12232

POLAND VEHICLE EXPORTS--Warsaw, 8 May (XINHUA)--Poland will export 15,000 cars and trucks to China this year under a contract signed here today. The contract, worth more than 100 million Swiss francs, constitutes Poland's largest export of cars and trucks. The vehicles China will import include Poland's cars, Fiat 125P, Fiat 126P and Jelcz trucks. According to Poland's official news agency PAP, Poland last year exported 7,600 trucks and coaches to China, its largest car trade partner. [Text] [Beijing XINHUA in English 1106 GMT 9 May 86 OW] /12232

CHEMICAL DELEGATION IN SFRY--Belgrade, 14 May (XINHUA)--Mijat Sukovic, Yugoslav vice president of the Federal Executive Council, today discussed with head of the Chinese chemical delegation on cooperation between their countries. Sukovic said developing trade and achieving a trade balance with China are in line with Yugoslavia's strategic interests. He said his government supports all economic and business cooperation between the two countries. The Chinese delegation arrived here last week for business negotiations at the invitation of Ina-Naftagas, one of Yugoslavia's four big petroleum companies. [Text] [Beijing XINHUA in English 0638 GMT 15 May 86 OW] /12232

CSO: 4020/320

PROBLEMS OF WAGE, LABOR RACE DISCUSSED

Beijing BAN YUE TAN in Chinese No 5, 10 Mar 85 pp 27-29

[Article by Hu Xiaoyi [5170 2556 5030]: "On the Issue of Wage and Bonus Race"]

[Text] Currently, the phenomenon of a race has appeared in regard to the issue of wages and bonuses. Such a race exists between enterprises and state organs and establishments and among different enterprises and units. Although there are some objective causes such as imperfect policies and incomplete measures, the phenomenon of a race is caused mainly by the fact that some people still have some confused ideas. It is necessary to present the facts, reason things out, and clarify such ideas.

In the wage reform of 1984, seeing that state organs and establishments had a bigger raise than enterprises, the staff members and workers of some enterprises felt that they suffered losses and demanded that they get the same level of raises as that of state organs and establishments. Judged by the wage increase of 1984 alone, the employees of state organs and establishments did get a bigger raise than the staff members and workers of general enterprises. But if we look back a few more years and review the situation of wage increases since the 3d Plenum of the 11th CPC Central Committee, we will find out that in the past 7 years the amount and rate of wage increases of enterprises' staff and workers have been higher than those of the employees of state organs and establishments. In 1978, the average annual wage of the staff and workers of state-run industrial enterprises was 21 yuan higher than that of the employees of state organs. Six years later in 1984, the average annual wage increase rate of the employees of state organs was 49.8 percent while that of the staff and workers of state-run industrial enterprises was 56.8 percent. The average wage of enterprise staff and workers was 79 yuan higher than that of state organ employees. In some industries, the rate of wage increases was even greater. Even after the wage reform of 1984, the wage level of state organ employees is still lower than that of enterprise staff and workers. It is thus clear that the argument that enterprise staff and workers suffered losses in the wage reform compared to the cadres of state organs is groundless.

With regard to this issue, we should also correctly understand the differences in the roles and wages of white-collar and manual workers. State organs and establishments are units where white-collar workers are concentrated. In the past, due to the influence of "leftist" ideas and various other reasons, the role of white-collar workers was underestimated and the wage and income level of China's white-collar workers remained low over a prolonged period of time which was very abnormal. The material wealth of society is created jointly by white-collar and manual workers. Generally speaking, the degree of complexity involved in white-collar labor is higher than that of manual labor. Along with the development of the modernization drive, the achievements of white-collar labor will be increasingly prominent. Therefore, it is rational for the wage level of white-collar workers to be a little higher. Not only is this an indispensable condition for white-collar labor itself but more importantly it will be conducive to the development of social production, the improvement of material and cultural living standards and the literacy of the working class and all laborers. In recent years the party and the government have adopted a series of measures including the one adopted in 1984 during the wage reform to allow a higher wage increase for the employees of state organs and establishments. This is very necessary for gradually changing the low wage level of China's white-collar workers and carrying out rational readjustment of wage relations.

Of course, this does not mean that the wage level of all manual workers should be lower than that of white-collar workers. The socialist distribution principle of personal consumer goods is to each according to his work. Anyone who has worked hard and made greater contribution to society deserves greater reward no matter whether he or she is a white-collar or manual worker. Those manual workers whose work conditions are poor and labor is strenuous ought to have higher wages than those of ordinary white-collar workers.

Seeing that other enterprises have a higher wage and bonus increase than their enterprise, some enterprise staff and workers demand that they be treated the same as those with higher wages and bonuses in disregard of their conditions and economic results. Such thinking of enterprises racing against each other should also be corrected. At present, the overwhelming majority of enterprises have carried out the second step in the substitution of tax payment for profit delivery and the distribution relation between the state and enterprises has been clarified tentatively. As long as enterprises work hard to increase production and economic results, enterprises' profit retention and their staff and workers' wages and bonuses will increase accordingly. Of course during a certian period of time, there will be some differences in the amount and rate of wage and bonus increases between different enterprises. Such differences generally are determined mainly by the degree of efforts made by enterprises and their staff and workers in production, operation, and management. Therefore, enterprises should compare with each other in regard to production, operation, management, product quality, and labor efficiency. In other words, they should compare their contributions. Without better production and higher efficiency, how can the personal income of staff and workers increase? As for the objective factors that caused the great disparity in the wage levels of enterprises, the state has adopted some control and regulatory measures and is planning to draw up additional new measures and work out better solutions.

Some staff and workers, especially those in state-owned enterprises, have strong reactions to the issue that some members of society have excessively high income. We should look at this issue from two angles. On the one hand, China still lacks experience in economic reform and some policy measures are not perfect and mature, thus resulting in the phenomenon that some members of society (such as individual industrial and commercial households in urban and rural areas) have excessively high income. In view of this, the state is now working hard to draw up improvement measures. On the other hand, we should not fail to notice that the income composition of staff and workers is not totally comparable with that of certain members of society. For instance, the wages of staff and workers basically can be used all in consumption while part of the income of individual industrial and commercial households should be reinvested and cannot be used in personal consumption. Moreover, there are risks involved in the businesses of individual industrial and commercial households. It is inappropriate to make indiscriminate and blind comparison. As for individual members of society who use illegal means to obtain high income, they will reap what they have sown in due time because their activities are proscribed by formal decrees of the state.

A wage and bonus race not only can cause ideological confusion and undermine the stable and united political situation but it also will cause an adverse effect on China's economic growth. If units of lower wage and bonus levels vie to emulate those of higher wage and bonus levels in disregard of conditions and contributions, it will be inevitable for China to go back to the "big communal pot"--the old trail of egalitarianism. What is more serious is that it will result in rotating wage increases and loss of control over consumption funds and cause the consumption level to rise far beyond the bearing capacity of economic growth, thereby resulting in inflation and sharp price increases. If so, both the immediate and long-term interests of the broad masses of staff and workers will be harmed to a great extent. Therefore, it is necessary resolutely to prevent and overcome the tendency for a wage and bonus race.

12302
CSO: 4006/910

LABOR SERVICE COMPANY HELPS WORKERS IN SHEKOU

OW071808 Beijing XINHUA in English 0642 GMT 7 May 86

[Text] Shekou, 7 May (by XINHUA correspondent Fang Xin)--Workers in the Shekou industrial area--a special area close to Hong Kong now open to foreign, Hong Kong and Macao investment--can loose their jobs but not their "rice bowls".

The local labor service company, which is responsible for recommending workers to factories using foreign investment, provides food allowances to those fired by their bosses and helps them find new jobs. "The workers are required to contribute 20 percent of their monthly wages to the company's welfare program, which covers medical expenses, old-age pension and unemployment subsidies," said Zhang Hankuang, manager of the company.

Every month about 60 workers fired from the 100-odd factories with foreign investment in this district come to the company for help, Zhang said.

According to China's law of labor management for joint ventures using Chinese and foreign capital, workers can be fired for violating factory regulations or because of the factories' efficiency measures. They also may resign in order to look for better jobs, Zhang added.

The labor service company will then send them on training courses to improve their skills or learn new skills. During the training, they receive a monthly food allowance of 30 yuan from the company.

[Beijing XINHUA in English in its repeats of this item at 0947 and 1418 GMT on 7 May inserts the following paragraph at this point: "The company will recommend them to other employers, Zhang said, adding that a recent survey conducted by the company shows that most of the retrained workers work well at their new jobs."]

"We have managed to ensure the independence of enterprises using foreign investment in management," Zhang said. "Meanwhile, we try to retain the good aspect of China's current labor system under which no worker is fired unless he or she is convicted of criminal offenses or responsible for serious accidents."

The Shekou Labor Service Company, set up in 1981, serves as a labor pool for the 20,000 workers in the district managed by the China Merchants Steam Navigation Co. Ltd. of Hong Kong, Zhang said. It signs labor contracts with local enterprises on behalf of the local authorities. Such contracts stipulate the responsibilities for both the employers and employees, and the conditions for promotion and punishment.

While seeing to it that the legitimate rights of the investors are protected, Zhang said, the company tries its best to ensure the interests of the employees.

One case involved a Japanese company in the district, which failed to meet the contract requirements for payment and fringe benefits. On behalf of the 2,000 workers there, Zhang said, the Labor Service Company negotiated with the Japanese business and succeeded in making it honor the contracts.

/12858
CSO: 4020/324

LABOR AND WAGES

OVERSEAS RENMIN RIBAO REPORTS ON XIAN TECHNICIANS

OW160528 Beijing XINHUA in English 0139 GMT 16 May 86

[Text] Beijing, 16 May (XINHUA)--A network to promote the circulation of technicians and technical information between factories has been built up in Xian, capital of Shaanxi Province, the overseas edition of PEOPLE'S DAILY reported.

The network helps technicians to transfer from one enterprise to another and assists in technical training, co-operation and consultancy.

The city, which has a population of 5,400,000 first set up a technician exchange center in August, 1984. Since then, the center has been approached by 8,700 technical workers, 3,000 of whom have applied for transfers. Of these, 834 have been helped to change jobs.

Personnel exchange is already paying off for some enterprises. One suburban cable plant has saved more than 300,000 yuan investment and achieved an output value of 600,000 yuan a month with the help of seven technicians introduced by the technician exchange center.

The government has been keen to promote the exchange of skilled workers. Premier Zhao Ziyang called for the "rational circulation of the labor force" at the annual session of the National People's Congress earlier this year to change the existing personnel management system which makes it difficult for workers to change jobs.

/12858
CSO: 4020/324

BRIEFS

RETIREES TOTAL OVER 16 MILLION--Beijing, 10 May (XINHUA)--China has 16.37 million retirees by the end of 1985, is equal to some 10 percent of the present workforce, according to an official release by the State Statistical Bureau today. [sentence as received] The number of retirees averaged 1.64 million a year over the past five years, the bureau said. The government paid out pensions totalling 14.5 billion yuan in 1985, averaging 935 yuan per person. [Text] [Beijing XINHUA in English 1457 GMT 10 May 86 OW] /12858

CSO: 4020/324

NEEDED RAILROAD ELECTRICAL EQUIPMENT IMPROVEMENTS OUTLINED

Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATION AND SIGNALS] in Chinese No 1, Jan 86 pp 2-6

[Article by Electrical Bureau, Ministry of Railways: "Reform, Innovate, Forge Ahead, Actively Pitch In for the Magnificent Practice of Carrying Out the Seventh Five-Year Plan"]

[Text] 1986 marks the first year of the Seventh Five-Year Plan. The CPC Central Committee has called upon us to adopt a spirit of reform, innovation and forging ahead, to pitch in actively for the magnificent practice of the Seventh Five-Year Plan, and to take a firm grip on the first year tasks of the Seventh Five-Year Plan, which hold major significance for fulfillment of the Seventh Five-Year Plan. Railroad transportation currently remains a conspicuously weak link in the national economy that is not in keeping with needs for development of industrial and agricultural production. A change in this passive state of affairs is one of the key problems to be solved during the Seventh Five-Year Plan period. The central task is major efforts to upgrade overall transportation capabilities to ameliorate the shortage of transportation while still running trains on time, providing excellent service and producing fine results, and to make ready a certain reserve for the booming of the national economy for the next 10 years. Electrical departments have to plan their own work in accordance with the central tasks and overall goals of railroad transportation. They must insure that highest social results are obtained and quick results are obtained from little investment in electrical equipment. They must meet railroad needs by tapping the potential of existing equipment, through the development and importation of new technology, and by using advanced communications and signaling equipment, making the most of their own special strengths and roles to improve overall transportation capabilities. It is with these goals in mind that ideas and views about work for this year and several years to come are proposed.

I. Intensified Building of Spiritual Civilization, Firmly Establishing a Psychology of Service to Transportation.

Firm establishment of a psychology of service to transportation has been a focal point in electrical work during the past several years, and it has also been a major ingredient in electrical units' building of spiritual civilization. To persevere in service to transportation is to think about transportation matters that require thinking about, and to be anxious about transportation matters about which one should be anxious. These thoughts should act as guidance for bringing about a new situation in electrical departments and be translated into conscious action. In recent years, staff members and workers in our electrical system have done a large amount of work in the realm of service to transportation in actively expanding the scope of service, showing to the full the role of electrical departments in transportation endeavors. In constructing trains and the "three major kinds of vehicles," in particular, electrical staff members and workers have toiled arduously on each of the links of research and development, installation, utilization and maintenance, scoring outstanding results in raising transportation capabilities and insuring safety. In recent years, they have also ushered in a new situation in grade level crossing safety. Construction of grade level crossing signals during 1985 was faster than in any year.

For some time to come, we believe that the policy for electrical work should be: to center on transportation, to make the most of advantages, to expand service, and to forge ahead. In 1986 and during the period of the Seventh Five-Year Plan, the following key tasks should be taken firmly in hand in order to improve transportation capabilities.

(1) Coordination of requirements for departure loading and train make-up, rendering a good performance in the following several regards:

1. Conscientious critiquing of how the Model 309 radio train dispatchers and the 400 kHz inductor two-way telephones are being used on the electrified section of the Fengtai-Shahezheng-Datai Line [in Greater Beijing], making proposals for improvements to the system.

2. Careful attention to completion of the work of importing radio train dispatching equipment on the Shijiazhuang-Yangquan-Taiyuan Line to solve the problem of radio contact among trains in mountain areas.

3. Need to organize and carry out research on automatic blocking interval time and signal display systems in making up overly long trains, providing a technical plan for optimum through capabilities between areas. Active research on the compatability of the three display system currently in use or import of a new model four display system automatic blocking equipment and selection of a location for testing as soon as possible.

4. Experiments on electrical interference on signal equipment caused by large traction current in connection with the make-up of trains from departure on the Fengtai-Shahezheng-Datai Line to obtain experimental data to counter interference.

5. Active matching of station railroad siding protracted movement equipment, replacing interlocking electrical circuits.

(2) Coordination of expanded marshaling of passenger trains.

1. Careful attention to the placing in production of 130 watt receiving, amplifying and recording train broadcasting system, providing long passenger trains with radio broadcast equipment.

2. Telephones aboard passenger trains to solve communications problems on long passenger trains.

(3) Coordination in abolition of cabooses

1. After importing inter-area axle-calculating blocking equipment, trials should be urgently run in order to gain experience in their use that can be disseminated.

2. Critique of the use of inter-area inspection equipment such as axle-calculating equipment on the non-electrified Qiqihaer section, of the axle calculating equipment on the electrified Baoji-Fengxian section in the Zhengzhou Railroad Bureau, and the 25 Hz long track electric circuit in the Chengdu Railroad Bureau, using it in conjunction with Model 64D automatic blocking equipment for inspection of entire trains.

3. Research and development of inductance inspection devices for the last car on trains.

(4) Coordination for improvement of classification capabilities at railroad hubs.

1. Continued development of yard radio classification equipment, critiquing their use, formulating management methods and establishing maintenance and repair systems.

2. Spread of the use of hub classification supervisory systems.

3. Energetic development of mechanized humps and semi-automatic humps, with general installation of hump locomotive signals.

4. Installation of speed regulating equipment on classification lines, i.e., use of small retarders to bring about further destination braking to improve the hook-up rate.

5. Intensification of experiments for ZK_3 structural improvements in order to insure hump switching equipment safety.

6. Step-by-step development of electric power concentration in grade crossing switching areas, with grade crossing switching single hook release operation being used for the present.

(5) Coordination of the improvement of inter-area traffic capacity (including intermediate stations).

1. A change to 8 minute intervals, insofar as possible, for double track three display automatic blocking.

2. Active carrying out of pilot projects for twin track bi-directional automatic blocking.

3. Development of marshaling control and warning equipment in double tracked sections.

4. Improvement of the reliability of existing automatic blocking equipment for a reduction in the inter-area red light breakdowns.

5. All stations without separation equipment on busy single track lines should increase the number of signal warning points and try out train speed control equipment in a planned way in order to improve safety.

6. Acceleration of the installation of locomotive signal code equipment at intermediate stations on mainlines and on surrounding lines. Places having requisite conditions should install locomotive signaling equipment between stations and lines for an expansion of the scope of application of "three important matters."

7. Active development of dispatching and marshaling equipment on cut-in sections associated with double tracks to solve the problem of insufficient capacity and the fairly slow increase in traffic capacity, and of raising capacity of single line sections where double tracking is not possible within the near future such as on the Lanzhou-Urumqi Line.

8. Active promotion of alternating current 480 ohms track electrical circuit biaodiao [2871 6148] plans to reduce the number of red light problems that occur during rainy weather on sidings in classification stations.

9. Active effort to import or experiment with micro-computer controlled dispatching and marshaling, attention to be focused on the Baoji-Fengxian section of the Zhengzhou Railroad Bureau as a pilot project for the acquisition of experience.

10. Active promotion of solar energy as a source of power on sections that lack other sources of electricity.

11. Installation of double acting switching secondary terminal mitie [1378 6317] inspection equipment, first for operating locomotives and later for switch engines, and first for trunk lines and later for spur lines, the better to insure double acting switch safety.

2. Serious Attention To Improvement of the Economic Management System To Advance Development of Electrical Work

Reform of the grassroots level economic management system has moved ahead in recent years in a process of feeling the way. Numerous electrical sections have changed their internal management structure and have perfected economic responsibility systems whereby responsibilities, rights and benefits are linked, and they have revamped their external economic relationships, carrying out numerous courageous efforts at reform. The thrust of these reforms has basically been on target and development has been healthy.

The organizational set-up of electrical sections has devoted attention to the carrying out of reforms that fit in more with serving the needs of the grassroots. Electrical section organizations have improved their production, dispatching and direction systems; They have set up a special quality control functional system; they have strengthened their technical management systems by having an engineer head them; and they have emphasized direct service to production and grassroots management organizations by overall units for personnel, finances, planning and materials. They have paid general attention to making the most of the managerial role of the foreman level of the grassroots management system, some of them making work foremen centers for production direction while others have used foremen as a small economic entity within electrical sections. In the production direction section, general attention has been paid to the need for reform of maintenance and repair methods. Inspection and repair bases have been set up that are geared to lateral management organizations. Practice has demonstrated that these methods have rather effectively promoted development of electrical work.

Second, attention has been directed to the goal of improving transportation effectiveness by directly linking electrical economic responsibilities and earnings from transportation, i.e., the carrying out of fruitful efforts to forge a link with branch bureau economic effectiveness. For example, the Nanjing electrical section ruled that in final economic accountings with branch bureaus, the conversion set per ton kilometer would be increased by between 1 and 4 percent, 4 and 7 percent, and more than 7 percent; thus, electrical operating expenses would correspondingly increase by 1, 2, and 3 percent. In the Jinan Bureau, the Xuzhou Branch Bureau tried out a "four in one" (stations, maintenance, rolling stock, and electrical work) switching responsibility system for the Xuzhou marshaling station that unified standards of responsibility for transportation production, responsibility for division of labor, and integrated evaluations, and set uniform labor compensation for better solutions to problems of excessive disparity in distributions among units, which aroused enthusiasm in all quarters and scored remarkable economic results. Though these accounting methods cannot be reflected entirely in the role of electrical work in overall transportation effectiveness, nevertheless, a heartening step has been taken.

The aforementioned reforms are still only a preliminary effort. There is a very long distance to go to reach the requirements set in the "CPC Committee Decisions on Economic System Reforms," and numerous problems remain that require our exploration. This requires that we combine a spirit of innovation with a realistic attitude and conduct constant critiques as we gain practical experience so that reform of the economic system of the electrical department will thrive.

3. Further Spread of Reforms in Maintenance Work, Steadily Improving the Quality of Electrical Equipment Performance

Reform of the electrical system's maintenance work began in 1979 and has been going on for nearly 6 years. The fundamental task in reform of maintenance work lies in using guaranteed equipment reliability as a basis for improving the extent to which equipment may be used, satisfying to the maximum degree needs for equipment in transportation production, the focus to be using every available means to improve equipment reliability (the reliability of both individual pieces of equipment and of systems).

The fundamental substance of maintenance work reform lies in the following: To change repairs that are presently done on the road to in-shop repairs whenever possible, i.e., to replace at regular intervals all equipment that can be dismantled or removed for inspection and repair in shops. This will both insure quality in inspection and repair and will also reduce adverse effects on transportation. There should be a change away from a decentralization of repairs to centralization of repairs, i.e., for the installation of equipment on the road that cannot be moved, a special corps should concentrate the needed manpower and material resources to make concerted repairs in order to raise to the full the quality of equipment in use. Equipment in the same system that is repaired at different sites and at different times should be repaired in a phased system to increase the quality of equipment in use throughout the whole system. Electrical testing should be increased and a special testing corps set up for gradual development of controlled preventive repairs to produce a benign cycle of equipment maintenance.

For day-to-day maintenance work, a system should be instituted of daily checks, monthly inspections, seasonal inspections and repairs, and annual overhauls, with everything possible being done to reduce the conventional metering times so as to reduce the impact of human error and key operating areas on transportation.

Everything possible should be done in busy transportation zones to avoid using intervals between trains to inspect and repair. Instead, the following method should be employed: Full use on electrified sections of "skylight" periods to make repairs. In hump yards, inspection and repairs may be made during halts when shifts change at stations. At large stations, every effort should be made to include electrical inspections and repairs in daily operating plans, effecting repairs at planned times. Large operations should be made a part of monthly branch bureau transportation plans, operations being suspended according to plan.

Promotion of maintenance reforms requires corresponding changes in the organization of maintenance, with the establishment and bolstering of various kinds of inspection and repair bases and repair teams. It must be realized that until such time as there has been marked improvement in the reliability of equipment, intensification of the building of bases will remain extremely necessary. In this regard, the following is required:

1. A full complement of personnel at inspection and repair bases, giving special attention to having technical personnel on hand.

2. Perfection of the management system to do a good job of quality inspection on equipment leaving the shop to reduce the frequency of returns for repairs.

3. Conscientious adoption of advanced inspection and repair techniques and promotion of advanced operating methods.

4. Improvement of required inspection techniques to improve quality of inspection and repairs.

5. It is necessary to make full use of a large body of accumulated rotational repair data and to conduct needed checks on how equipment is used, scientifically determining the repair cycle that should be used for various kinds of equipment. Once the inspection and repair cycle for all kinds of equipment has been set by the railroad bureaus, it is to be carried out by bureaus, suiting general methods to specific circumstances.

We must also strive to develop the purview of micro-computer testing technology so that major pieces of equipment are controlled by micro-computer processing systems for automatic records keeping, automatic testing, and giving warning of troubles. This is the way to bring about controlled preventive repairs or in-service repairs to attain the goal of little or no maintenance.

4. Carry Forward a Spirit of Seeking Truth in Facts and Do a Solid Job of Safety in Production

Safety in production is the overall embodiment of the quality of work of all railroad departments, all individual jobs and the work of each and every staff member and worker on the railroad. Practice has demonstrated that good performance of safety in production entails tackling problems in an overall way, i.e., being guided by thinking in which rigorousness is first, using high standards to require education in safety, firmly establishing a psychology of safety first, and strictly carrying into effect every effective rule and regulation on safety in production, halting violations in operations and persevering in unflaggingly giving attention to work at the grassroots. A solid job must be done on all basic work and the bolstering of scientific management. Advanced technical equipment that insures transportation safety should be widely adopted as a means of gaining consistent results over a long period of time.

Two matters should be given attention for safety in production at the present time:

(1) Adherence to the Party's spirit of seeking truth in facts, correcting unhealthy tendencies toward resorting to deception about safety in production.

The Ministry of Railways' Party organization enlarged conference pointed out that "real efforts must be devoted to safety in production with no resorting to trickery. Correct handling of the relationship between safety and efficiency requires constant improvement in relevant safety examination criteria and methods of meting out rewards and punishments." This view is completely consistent with the present state of safety in production in the electrical system of the Ministry of Railways. Consequently, those methods of checking that do not advance the development of productivity but rather hamper the development of production have to be abolished. The goal of the electrical system should be no occurrence of major accidents or dangerous accidents. For minor accidents, the general accident rate should be used as the indicator for how good safety is. Furthermore, every effort should be made to get rid of a large number of ways of doing thingsthat cause accidents involving penalties. Only by so doing can the real situation be reflected. This holds numerous advantages and no disadvantages.

(2) Adherence to the Concept of Service to Transportation Safety

The more advanced the performance of electrical equipment, the higher its safety performance and the more completely it is interlocked. Then accidents for which electrical departments are responsible decrease greatly or do not occur. This has been a pattern demonstrated in practice. We have analyzed major train accidents that have taken place in the rolling stock system during the past several years, finding that 50 percent of them occurred in non-marshaling interlocked train stations and 17 percent of them occurred in electric marshaling station non-interlocked areas and during periods when signaling equipment was not in use. Sixty-seven percent of accidents occurred under these circumstances. Since the end of the 1960's, an average of 2,000 switches have been installed at 100 stations each year on electric marshaling stations on all lines, yet major accidents on all roads in recent years have declined by an average 55 per year.

However, as far as electrical departments are concerned, the more complete and the more advanced the functioning of electrical equipment, the more complex the equipment and the greater the number of parts used, meaning the greater the opportunities for accidents to occur and the greater the possibility for the occurrence of minor accidents. During the 1950's, for example, minor accidents numbered 500 per year; during the 1960's, the average was 1,200, and during the 1970's it was 1,700. So far in the 1980's, it has been 2,300. Therefore, advanced electrical equipment has meant that electrical staff members and workers have not only had to do more maintenance work, but they have also had to bear greater risks. It has been worth it, however. The large increase in minor accidents in the electrical system has brought a trade-off in much much fewer major accidents. This demonstrates that taking on heavier burdens and facing greater risks for the overall benefit of transportation is a necessary duty.

5. Thoroughgoing Promotion of All-around Quality Control and Intensification of Staff Member and Worker Technical Training

(1) It was in 1979 that electrical departments launched an all-out campaign for quality control. After 6 years of unflagging efforts in general education, training of permanent cadres, the running of pilot projects, critiquing and exchanging experiences, this method of scientific control has penetrated through all links of electrical management. A substantial number of electrical sections have become a part of regular control channels and have played an outstanding role in improving enterprise quality, in improving enterprise management, and in solving key problems in production technology. For some time to come, the requirements for all-around quality control will be as follows:

1. All-around examination and critiquing of major experiences during the past several years in comprehensive quality control work, focusing on existing problems, and formulating actions for improvement.

2. Further bolstering of basic work in quality control in conjunction with the reform of enterprises that is underway for good performance in the scientific management of enterprises.

3. Leaders at all levels should be concerned with quality control team activities, strengthening leadership, and specific guidance to quality control teams as well as providing them with necessary working conditions.

4. Pursuit of a policy of emphasis on education first and last, continuing to expand basic information about comprehensive quality control, and education in basic methods and the various tools to be used for a further rise in consciousness about and work methods for quality control.

(2) Good performance in technical and vocational training to accelerate the training of skilled people. As science and technology advances, the updating of electrical equipment becomes faster and faster. Consequently, an overwhelming majority of people including cadres, engineers and technicians, and workers have to study and update their knowledge constantly.

The country requires that workers and beginning level technical brush-up courses be used as a basis for higher levels to get workers started on middle level technical training. The electrical system has to coordinate actively with educational departments in carrying out this task. Right now, it is necessary to begin to formulate and publish relevant teaching outlines and specialized training materials and to formulate various professional standards so as gradually to begin professional training in various fields. This is a painstaking task that requires pilot projects and the critiquing of experiences with them. Only through persistence in the education of staff members and workers can results be obtained. Investment in intellect is a project of vital and lasting importance. We must not miss any opportunities to persevere in the education of staff members and workers.

6. Take Firm Grip on Management of Overhauls To Get the Most from Investment

Major electrical overhaul work has scored very great achievements in recent years. It has concentrated the funds necessary for improving transportation capacity to carry out a technical transformation of bottlenecks on several major trunklines. Nevertheless, major electrical overhauls remain a weak link in electrical work. (1) Since funds for major overhauls are insufficient, it is impossible to guarantee that the cycle for major overhauls of electrical equipment will be adhered to. This means that electrical equipment has to remain in service longer than it should, producing a vicious cycle in which capital is consumed. (2) Dispersal of funds for major electrical repairs is a serious problem, making it impossible for a technical transformation section by section to form a network through major overhauls, as a result of which benefits from investment are not high. We believe that it would be more advantageous for railroad bureaus to make unified plans on a bureau-wide scale for large scale major electrical overhauls. (3) In the realm of the management system, the body of manpower for major overhauls is fairly dispersed; capabilities are mutually canceling, and work periods are very drawn out. Though there should be no forced uniformity in the management system at the present time, at least each bureau should maintain a competent corps for planning and carrying out major electrical overhauls, major repairs of electrical equipment thereby having some reliable assurance of being done. In addition, electrical departments should unify information about major overall projects in their own bureau. Each electrical office should designate a functional office and designate personnel for major overhaul projects, regularly collecting and reporting to higher authority project status reports.

Ideas For the Future

(1) The ministry's major communications project during the Seventh Five-Year Plan is to open a network on the Beijing-Guangzhou and the Longhai trunklines, and to make major improvements on the communications lines on the Beijing-Zhengzhou and the Wuhan-Hengyang lines in order to solve the problem of serious overloading of circuits on the Beijing-Guangzhou line. On the Zhengzhou-Baoji section, in addition to the electrification project presently under consideration, investment in major overhaul will open 960 circuits to solve the overloading of circuits on the western part of the Longhai Line. The emphasis on the northern trunkline network is on the Jining-Hohhot Line; in the southwest it is on the Daxian-Chongqing Line; in the northwest, it on on the Hami-Urumqi Line; and in the northeast it is on the Harbin-Qiqihaer and the Changchun-Jilin Line, all of which would have communications open for use as quickly as possible.

(2) In 1986, a major overhaul to update signals will focus on finishing up a major overhaul of automatic blocking between Shenyang and Changchun; on an automatic blocking project between Wuhan and Hengyang; on completion of a project to improve automatic blocking between Tianjin and Shanhaiguan; and on beginning work on the construction and improvement of automatic blocking between Shenyang and Shanhaiguan, and between Shenyang and Dalian. Acting in accordance with the principle of trunklines first and spur lines second, passengers first and freight second, the work of installing locomotive signals will focus this year on trunkline additions. On sections where locomotive warning equipment has already been installed, second warning points will be installed. On sections where old style dual frequency point warnings have been installed, updating to new dual frequency point locomotive signaling equipment will be done. Installation of signals at level crossings will focus first on level crossings on international train trunklines and on 15 major trunklines.

(3) In order to insure progress on key projects, it is recommended that funds for locomotive signals, level crossing signals and on-board radios on locomotives be included in railway bureau and branch bureau funds to insure that work is done.

(4) Strive for effectiveness and strive for quality and practice the letting of bids for project construction and give priority in the letting of bids to construction units that produce good quality, enjoy a high reputation, and

charge fair prices to encourage competition and to advance progress on projects for early service and early benefits.

7. Good Performance in Scientific and Technical Planning for Active Promotion of Progress in Electrical Technology

The work of electrical departments must explicitly adhere to reliance on scientific and technical progress to develop ideas and concepts for electrical matters in accordance with specific policies and requirements from the State Council regarding technical progress in enterprises, as well as the principles laid down in "Major Technical Policies For Railroads" in conjunction with the basic tasks for railroad work set by the Ministry of Railways Party organization. In the future, "CPC Central Committee Decisions on Reform of the Scientific and Technological System" will have to be carried out in the performance of electrical work, with further adherence to its statement that "a change is needed in technical development work, with imported technology placed in an important position for the development of production techniques and the transformation of existing enterprises." It will also be necessary to act in the spirit that "research and development work in China should be closely linked to imported technology and advanced technology digested and absorbed in order to raise the starting point for development of production techniques and going on to develop new innovations and increase capabilities for developing techniques on our own," with electrical departments doing a good job of importing, digesting, developing and innovating. At the same time, it will be necessary to eradicate further conservative ideas of following beaten paths and standing pat. It will also be necessary to overcome blindness in the importation of technology and correctly handle the relationship between the importation of equipment and the importation of technology, the relationship between the importation of technology and scientific research being conducted on problems in China, and the cooperative relationship between the imported technology and the division of labor for production within the country and within regions. Thus, overall planning that takes all factors into account is required, using unified policies and standards. This is particularly important for technology and equipment that has a bearing on whole projects and whole networks, and serious attention must be directed to this point. In addition, in the realm of the development of new technology, we believe in the advocacy of letting a hundred flowers blossom and a hundred schools of thought contend, weeding through the old to bring forth the new, and supporting pilot projects. However, in the spread of technology, unified research and strict mastery are necessary with no going off in all directions. It must benefit unified management, mutual dovetailing and integration into a totality to help development.

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TRANSPORTATION

RAILWAY IMPROVEMENT PLANS LAID OUT FOR NEXT 5 YEARS

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[Article by Wang Ruozhu [3769 5387 4554]: "Improve 10,000 Li of Rail Transit Lines"]

[Text] In the next 5 years, China will build 3,500 km of railways and increase electric railways by 4,600 km and multiple-track railways by 2,900 km.

Strategic Plans for Railway Development

The Chinese government recently decided that the development of national communications and transportation should still focus on railway transportation. Not long ago, railway experts met in Beijing to study the trend of development of China's railways in the next few years and discussed plans for the next 5 years.

China's railways are concentrated in eastern areas and scattered in western areas. This is a result of Chinese history and economic development in the last century. Currently China has 52,000 km of operational railways, including 14,000 km of electric and diesel lines. In 1985 the freight volume of China's railways was supposed to reach 1.27 billion tons, passenger volume 1.11 billion people, and freight and passenger turnover 1,030 billion converted ton/km. Since China's railways did not go through a period of history in which communications and transportation industries developed by leaps and bounds as in the Western countries, the growth of railway transport capacity has always lagged behind the need of the national economy, forcing many regions and production departments to make production and marketing plans according to transport capacity, thus limiting the speed of economic development.

The experts held that in order to bring about a fundamental change in the passive situation of railway transport, by the end of this century the freight and passenger turnover of China's railways should reach 2,800 billion converted ton/km and operational railways should reach about 75,000 km including 35,000 km of electric and diesel railways which will account for half of the total rail mileage and handle over 80 percent of the total freight and passenger turnover. Large national marshalling grounds should basically realize automation or semi-automation. All busy trunk lines should have heavy seamless steel tracks and modernized dispatch and control systems.

To reach this goal, the general strategy should be carried out in two steps: 1) Improve and transform busy trunk lines in the eastern area, vigorously transform the rolling stock industry and alleviate the shortage of railway transportation; 2) vigorously adopt new technology and equipment in the last 10 years of this century to transform railways and extend the railway network to suit the needs of economic development.

Improve and Transform 10,000 Li of Railway Lines

The experts pointed out that by the year 1990, railway freight volume will reach 1.6 billion tons, of which 650 million tons will be coal transport which affects the national economy as a whole. The volume of coal transported from Shanxi to other parts of China will amount to 210 million tons. Railway passenger volume will reach 1.4 billion people by 1990. This requires that in the next 5 years we build 3,500 km of new railway lines, of which 13 railways totaling 1,800 km will be built by joint ventures, and we must increase electric railways by 4,600 km and multiple-track railways by 2,900 km. To reach this goal, the Ministry of Railways pointed out the need to concentrate efforts on the following two areas:

A. Improve and transform 16,000 km of busy trunk lines in northeast China and along the east coast, increase comprehensive transport capacity by a wide margin, and ensure that transport needs are met basically.

Northeast China and the east coast comprise a third of China's territory, their population accounts for a half of the nation's total, and their total industrial and agricultural output value accounts for 70 percent of the national figure. They are the economic lifelines of China. Railway transport conditions in these areas have a direct bearing on China's economic growth and take off. Across the vast territory of China run 14 major railway trunk lines which form a rail network consisting of six vertical lines (Hada, Jingshen, Jinghuhang, Jingguang, North and South Tongpu, and Taiyuan-Jiaozuo-Liuzhou) and eight horizontal lines (Binsui, Jingbao and Jingqin, Shitai and Shide, Jiaoji, Longhai, Zhegan, Jiaozuo-Xinxiang, and Yanzhou-Shijiushuo and Daqin which is under construction). The total length of these 14 trunk lines account for 30 percent of China's operational railways, but their freight turnover volume accounts approximately for 70 percent. Therefore, once these 16,000 km of railways are transformed, China will be able to gain the initiative in transportation as a whole and yield maximum social results.

In the next 5 years in Northeast China and the east coast, China will lay 2,500 km of multiple-track railways, increasing the rate of multiple tracks to 70 percent, rebuild and expand 7 key marshalling grounds, build 2 new marshalling grounds at Hada Village of Harbin and Jiang Village of Guangzhou, build and expand 10 large passenger stations (at Shanghai, Tianjin, Shenyang, Xuzhou, Hankou, Shijiazhuang, Zhuzhou, Jinan, and Yongdingmen and Xizhimen of Beijing), lay nearly 10,000 km of 60-kg heavy tracks, use computers in operations and controls, and develop a series of new technology and equipment systems such as optical fiber communications. By 1990, the 16,000 km of railways in northeast China and the east coast will look as good as new.

B. Vigorously transform the rolling stock industry, substantially increase production capacity and improve product quality, update locomotives, and enter the age of electric and diesel hauling. By the year 1990, China should be self-sufficient in rolling stock and satisfy the needs of transportation.

Judged from the current situation, the rolling stock industry is the most prominent weak link in the railway department. It has become a major element that prevents railways from making fast growth. Because of this, the amount of investment the railway department is planning to make in the next 5 years is equivalent to the total amount of investment made in the last 35 years, since the founding of the PRC. Comparing 1990 with 1985, the production capacity of electric and deisel locomotives will increase 1.5-fold, that of freight cars 70 percent and that of passenger cars 1.2-fold. By 1990, a powerful rolling stock production system with all-round development of passenger, freight, and switching locomotives, coordinated high, medium and low power levels, and compatible passenger and freight cars will begin to take shape.

In the next 5 years, the railway department will carry out the mass production of such new products as Shaoshan model No 4 electric locomotives, Dongfeng model No 8, 7, and 5 diesel lomotives, 25.5 meter passenger cars, and C61 short freight cars. In addition, it will import from the United States the manufacturing technology of major parts of diesel locomotives to improve the performance of Dongfeng model No 4 diesel locomotives; cooperate with the Likaduo [6849 0595 1122] company of England in improving the diesel engine of diesel locomotives to increase drawing power; import from the Alsthom company of France the manufacturing technology of major parts of electric locomotives to produce new-style electric locomotives; cooperate with British experts in improving the advance-type steam locomotives to increase heat efficiency; and use the World Bank's loans to transform the Zhuzhou Electric Locomotive Plant and the Changchun Passenger Car Plant. At the same time, it will also rebuild and expand nine rolling stock repair plants, build one or two new repair plants, improve repair techniques and quality, and greatly increase the production capacity of spare parts and rolling stock.

Expand Transport Capacity

In 1986, the railway department will strive to increase the weight of trains, vigorously organize combined trains with heavy loading capacity, and enable major lines such as the Fengtai-Shacheng-Datong, the Beijing-Qinhuangdao, and the Beijing-Shanghai to increase their hauling capacity to 3,700 to 4,000 tons. At the same time, it will strengthen joint transport by railways, highways, and waterways and vigorously develop modernized container transport. In 1986, the railway department will continue to increase the number of passenger trains. On 15 trunk lines, including the Beijing-Guangzhou, the Beijing-Harbin, and the Beijing-Shanghai lines, the number of express and through trains will be increased from 12 pairs to 20 and that of passenger trains from 8 pairs to 17. Beginning 1 April 1986, the two pairs of express trains running between Beijing and Shanghai will reduce their running time from the current 19 hours to less than 17 hours.

With regard to capital construction, main tasks for 1986 are to tackle the multiple tracks between Hengyang and Guangzhou in the south and the new line between Dalian and Qinhuangdao in the north, formulate policies for improving and transforming the 16,000 km of busy trunk lines, continue to carry out the construction of the two transfer port stations of Erlian and Manzhouli and the construction of the Guangshen Railway, increase import and export capacity, and speed up the construction of such port stations such as Dalian, Qingdao, and Lianyun harbor.

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TRANSPORTATION

BRIEFS

WUHAN AIRLINES OPERATIONS--Wuhan, 13 May (XINHUA)--China's fifth local airline, Wuhan Airlines, run by authorities in this capital of Hubei Province, central China, was launched yesterday. The company will run scheduled passenger flights and tourist flights, as well as air freight services for agriculture and industry in Hubei, Hunan, Guangdong and Sichuan provinces. Other local Chinese airlines are run by authorities in Shanghai, Xiamen, Heilongjiang and Kunming. [Text] [Beijing XINHUA in English 1343 GMT 13 May 86 OW] /12858

INTERNATIONAL FLIGHTS TO URUMQI--Urumqi, 17 May (XINHUA)--Beginning as of tomorrow, planes flying the Beijing-Karachi (Pakistan) and Beijing-Addis Ababa (Ethiopia) routes will make one landing every two weeks at the Urumqi Airport on their return flights, local officials said here today. The airport is one of China's five major international airports. The other four are Beijing, Shanghai, Guangzhou and Kunming airports. [Text] [Beijing XINHUA in English 1527 GMT 17 May 86 OW] /12858

CSO: 4020/324

USSR URGES ENTERPRISES TO CHANGE METHODS

OW281854 Beijing XINHUA in English 1845 GMT 28 Apr 86

[Text] Moscow, 28 April (XINHUA)--The Soviet Union is switching to a large number of its industrial enterprises to new management methods, the communist party newspaper PRAVDA reported today.

The paper said bold new methods--including genuine cost accounting, self-support, self-financing and the linking of wages to production levels--are what the Soviet economy needs.

The changes are viewed here as practical steps in the wake of the Soviet Communist Party's 27th Congress, which decided the country's sluggish economy should be improved by introducing economic reforms.

In its lead story "developing a more efficient mechanism of management," PRAVDA said that "enterprises and organizations of over 100 union and republican ministries and departments are being switched to new modernized methods of management this year."

The newspaper maintained that "constantly upgrading and perfecting in every way new methods of management enables the country to reveal new reserves of the socialist planned economy and will become a powerful impetus to expediting the country's economic development."

Observers here say that many enterprises have already achieved good results by using new management methods. For example, the country's industrial output during the first quarter of this year was 6.7 percent higher than that during the same period of 1985, and labor productivity for the same period was 6.3 percent greater.

PRAVDA also criticized several departments, including central bodies, for hanging on to old methods, saying the time when every enterprise is determined to make full use of its own potentials and funds to improve production is still a long way off.

PRAVDA also stressed the need to put the most emphasis on refitting existing industrial enterprises with technologically advanced equipment.

/12232
CSO: 4020/320

POLISH STATE ENTERPRISE DECLARED BANKRUPT

OW040805 Beijing XINHUA in English 0746 GMT 4 A pr 86

[Text] Warsaw, 3 April (XINHUA)--A provincial court in Katowice, Poland declared recently that a state-run enterprise, "Domgos" Metalware Factory, in Zabrze City, had gone bankrupt, local papers reported today.

This is the thrid state-run enterprise declared bankrupt since the "act on the improvement of work of state-run enterprises and bankruptcy" went into effect on 1 October 1983, the papers said.

Built in the mid-70s, "Domgos" is a factory specializing in making metal goods for daily use. However, despite the "not small investments" and "very advanced" equipment, the factory with 130 employees went from bad to worse in the past years. In 1984, its production declined by about 20 percent over the previous year and in 1985, there was another 5-percent drop over 1984. By the end of last year, it had contracted a debt totaling 41.7 million zloty (about 280,000 U.S. dollars).

This is not surprising, the papers said, because the plan to build this factory itself was not "realistic." The supply of materials such as steel plates and steel tubes, for instance, was not ensured from the very beginning. Meanwhile, the wages of employees kept on increasing. All this inevitably led the factory going deeper and deeper into debt, and finally brought it to court. The court, under the demand of the suitor, the minister of metallurgical and machinery industry, and in accordance with the "act on the improvement of work of state-run enterprises and bankruptcy," pronounced the factory bankrupt.

Under the act, an enterprise should, when it goes into the red, first work out a "revival plan" to improve itself. If the plan fails, responsible leading departments should conduct "commissionary management" of the enterprise by sending inspecting teams into it. If "commissionary management" still fails, legal means have to be used.

The "act on the improvement of work of state-run enterprises and bankruptcy," it is reported, has indeed helped enterprises in improving their management. By the end of 1984, there were 1108 "poorly-managed" enterprises in Poland. But by the beginning of this year, the number had been reportedly reduced to 830. Among them, about 160 are taking the "revival plan" while 32 others are under "commissionary management."

/12232
CSO: 4020/322

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

BRIEFS

XINHUA NOTES PRAVDA ITEM--Moscow, 12 May (XINHUA)--The Soviet party daily PRAVDA today called for an active struggle against what it termed "parasitic tendencies" in the nationwide reform. In a leading article, the paper said some people, including senior officials, accept the need of reform in words but act against it. Being fond of empty talks over the reform, a matter of vital importance for the country, they try to adapt themselves to new ideas without changing anything in practice, PRAVDA added. However, the paper said, reform "is in progress, people's attitude towards work is changing, and this cannot be reversed." Emphasizing that reform, now under way in the light of the decisions of the party 27th Congress in early March, "requires purposeful actions from all and from each," the party daily underlined the need to carry out an active struggle against parasitic tendencies of whatever forms. PRAVDA has recently published letters from its readers complaining about the lack of significant changes in the work of many departments since the 27th Party Congress. [Text] [Beijing XINHUA in English 1157 GMT 12 May 86 OW] /12232

CSO: 4020/320

BRIEFS

FIRST NATIONAL GAZETEER--Beijing, 10 May (XINHUA)--A 31-volume "Dictionary of Geographical Names of the People's Republic of China," the nation's first standard reference book of places, will be published by the commercial press this year. Teams of experts in geography, history, linguistics and ethnology compiled the dictionary, based on a 1978 nationwide geographical survey, China's first. There are entries for 100,000 locations, each of which includes information about location, natural environment, history, economy and transportation facilities. The dictionary's first volume, covering Jiangsu Province on the east China coast, is expected later this year. Volumes on Hubei, Taiwan and Zhejiang provinces and on the city of Shanghai will be published next year. One future volume will highlight China's major locales. [Text] [Beijing XINHUA in English 1334 GMT 10 May 86 OW] /12858

CSO: 4020/324

JOINT STOCK EXCHANGE OFFICIALLY OPENS

Hong Kong CHING-CHI TAO-PAO in Chinese No 12, 31 Mar 86 pp 7-8

[Article by staff reporter Gu Wen [0657 2429]: "A New Page for Hong Kong's Stock Exchange--From Four Stock Exchanges to a Joint One"]

[Text] For Hong Kong's stock market, 2 April 1986 was a historic day. After a decade of efforts, the Hong Kong Joint Stock Exchange has finally opened officially. The four divisions of Hong Kong's stock market are now history.

The Hong Kong Joint Stock Exchange is the merger of the Hong Kong Stock Exchange, the Far East Stock Exchange, the Kam Ngam Stock Exchange and the Kowloon Stock Exchange. The merger of these four stock exchanges underwent a very long process of exploration and study. As early as the 1970's, Hong Kong authorities already had the intention to integrate the four stock exchanges but they could not reach consensus until they went through all kinds of difficulties and it was not until July 1980 that the "Bill of 1981 on the Merger of Stock Exchanges" was officially published in the SANG PO. The main objective of this bill is to stipulate the establishment of an integrated stock exchange in Hong Kong. However, because the bill touched upon the restrictions on the membership requirements, it was strongly criticized by some people from the securities field. In view of this, the Hong Kong government revised part of the content after consulting with the people from all circles, went through legislative procedures, and put the bill into effect beginning 1 January 1981.

Implement Various Change Measures

The establishment of the Hong Kong Joint Stock Exchange was not a simple process of eliminating four mountain strongholds, disbanding four stock exchanges, and making a fresh start. Instead, it was executed along with the unification of stock exchange systems, the development of computerization, and the revision of marketing and stock exchange regulations. Therefore, we may say that the opening of the joint stock exchange is in fact a change for Hong Kong's stock market.

After opening, the joint exchange will have the following innovations:

1. Markets and regulations unified. As the joint exchange starts business, Hong Kong's stock markets, which were originally scattered in four different places of Hong Kong and Kowloon, will be concentrated in the exchange square where the joint stock exchange is located whereas the administrative organs, administrative systems, membership requirements, exchange regulations, and stock prices of the stock exchange will be changed from separated and different operations to totally unified ones.

2. The auction system discarded and transanction procedures computerized. As the joint exchange starts business, the present public bidding system will become history and be replaced by a computerized exchange system which consists of nine sets of Tandem Nonstop 2 computers and 800 sets of specially-designed dual-purpose terminals. The terminals which are on-line with the computers are placed along the walls of the hall. A four-way display board is hung from the ceiling in the center of the hall showing the buying and selling situation of most active stocks. In addition, the joint exchange also has a computer specifically designed to provide exchange information for the outside.

3. Membership foundation expanded and brokers' quality improved. After the joint exchange was established, all members of the original four exchanges were admitted to the memberships of the joint exchange. It is estimated that when the joint exchange begins operations, over 670 out of the original 960 members will continue to do business. The biggest change is that according to the new rules of the stock exchange, membership is no longer limited to individuals. It is expanded to include individuals and companies. Under the new rules, bank brokers, brokers linked to banks, and foreign securities dealers are all allowed to become members of the stock exchange. At the same time, the securities supervision and control department and the stock exchange have drawn up stricter standards for membership examination and approval, including one that requires brokers to have 3 years of experience in the securities field or pass an examination to obtain the credentials approved by the stock exchange.

4. The supervision and control of marketing companies increased and plans to relax restrictions on marketing requirements. According to the securities regulations of 1986 (for securities to be marketed at the stock exchange) which were officially put into effect on 1 February, the securities supervision and control department has been vested with greater powers, including ones to call for the suspension of a company's buying and selling and disqualify marketing companies. In addition, the new regulations also stipulate that marketing companies disclose more detailed information such as financial situation and major transactions. While strengthening supervision and control, the stock exchange also plans to relax restrictions on maketing conditions later. One of its plans is to do away with the restriction that companies offering to list their stocks with the exchange should be in business for 5 years and the restriction on the amount of dividends. Another one is to establish the second market and attract foreign companies to list their stocks in Hong Kong.

5. The compensation system improved and compensation ability increased. The joint stock exchange stipulates that every member must pay 50,000 yuan in cash to be used as the compensation fund. According to another plan, every member should pay another 500,000 yuan of security deposit to meet the needs of brokerage firms for compensation.

Accelerate the Development of Stock Market

Since the merger of four exchanges into one was executed along with various changes, the opening of the joint exchange will not be merely a formality. Judged from the current situation, it apparently is a force that will give further impetus to the development of Hong Kong's stock market whereas its main role is to increase the degree of internationalization of Hong Kong's stock market and improve its financing and investment functions.

Hong Kong is known as the third biggest financial center of the world. Judged from the number of banking institutions, the volume of international banking operations, gold transactions, and fund control, Hong Kong deserves this title. However, Hong Kong's stock market lags far behind other international financial centers. Among the original four stock exchanges, only the Hong Kong Stock Exchange joined the International Stock Market Association and only as an affiliated member. Although Hong Kong's stock market has been operating for over 90 years, Hong Kong's listed stocks are still not considered as negotiable securities in Europe. One of the reason for such a phenomenon is the disunity of stock exchanges and the outdatedness of the exchange system. Now that the four exchanges have been merged into one and the exchange system improved, the joint exchange has more favorable conditions for joining the international circle of stock exchanges. We may assume that in the near future, the joint stock exchange will be accepted by the International Stock Market Association as a formal member. If the plan to attract foreign companies to list their stocks in Hong Kong is realized, Hong Kong's stock market and stocks will be better known internationally and have a higher reputation.

The most important function of the stock market is to provide, on the one hand, financing opportunities for industrial and commercial enterprises to expand business and, on the other hand, investment instruments for investors. These two functions supplement each other. We should affirm that Hong Kong's stock market does have some functions but there is much to be desired. For instance, the number and amount of new issues of stocks listed in the past few years have been obviously reduced compared to the past. For another instance, although the indexes of stock market have repeatedly increased in the past 2 years, the volume of transactions has not been significant. For still another instance, although Hong Kong is the fund management center of Asian and Pacific areas, none of the funds under the management of Hong Kong considers Hong Kong as the main target of investment. The main cause for this situation is that investors do not quite trust investment in Hong Kong's stock market. The main problems are overly relaxed supervision and control of marketing companies, limited disclosure of information on marketing companies, common insider trades in the stock market which are likely to cause investors to be ripped off or even lose their principal and uneven qualifications of stock brokers. Judged from the situation as a whole, there are such problems as insufficient strength and limited relations. Now we may say that after this change, all of the abovementioned problems can be at least alleviated. Since measures to strengthen the supervision and control of marketing companies, improve the quality of stock brokers, and improve the compensation system will play an role in perfecting Hong Kong's stock market as a whole and ensuring the interests of investors, it is certain that they will also make Hong Kong's stock market more appealing to investors. The admission of bank brokers and foreign securities firms to the membership of the joint stock exchange actually adds to Hong Kong's stock market a brokerage force of a great scale or with a huge network of clients. This, however, will increase pressure on original brokers but will facilitate the stock investment of local investors and absorb more foreign capital into Hong Kong's stock market. As more capital is invested in the stock market, the financing function of the stock market will of course be increased.

12302
CSO: 4006/909

SMALL, MEDIUM-SIZE BANKS FORCED TO MAKE CHANGES

Hong Kong TA KUNG PAO in Chinese 29 Mar 86 p 4

[Article by reporter Lei Jingbin [7191 0352 2430]: "Small and Medium-size Banks Are Forced To Make Changes"]

[Text] The repercussions of Hong Kong banking unrest brought about by the Hong Kong government's takeover of the Hang Lung Bank in September 1983 in an emergency move are still being felt. On Thursday, the banking commissioner asked Jardine Fleming to take over the operations of the Union Bank. The Hong Kong government has now used the foreign exchange fund successively on four occasions to rescue banks in different kinds of trouble. Consequently as many as five banks are either directly and indirectly supported by the Hong Kong Government.

Two Diametrically Different Problems

In spite of the fact that these incidents that rocked Hong Kong's financial world occurred one after the other in less than 3 years, the incidents involving Hang Lung Bank, the Overseas Trust Bank, and the Hong Kong Industrial and Commercial Bank, on the one hand, and the Ka Wah Bank and the Union Bank, on the other hand, recently reflected two diametrically different problems in Hong Kong's banking circles.

An analysis of the crises involving the Hang Lung Bank and the Overseas Trust Bank shows that there are three contributing factors: 1) The sudden changes and sharp deterioration of the political and economic situation in Hong Kong; 2) poor internal management and operations; 3) involvement in certain criminal acts in business. With regard to the incidents that involved the Ka Wah Bank and the Union Bank recently, even though these two banks may appear to have management and operational troubles, it was neither sudden economic changes nor unlawful acts that brought troubles on them.

It is undeniable that the raging tides in real estate business from 1978 to 1981, the test of confidence and the real estate slump between 1982 and 1984, and the fierce competition within banking circles have an impact on every bank in Hong Kong today and only the degree of impact varied in different places. As to whether or not the reserves of bank assets are sufficient to cope with such an impact, considering that both large, medium, and small banks have bad debts, the degree of the impact being felt by large banks is relatively insignificant because of their solid strength and greater assimilating capacity, on the other hand, the degree of the impact being felt by the medium and small banks is much greater and the period of assimilation longer due to their scale.

Differences Between Large Banks and Medium and Small Banks

It is a pity that before the medium and small banks could completely free themselves from the impact that lasted from 1982 to 1984, the Hang Lung Bank and the Overseas Trust Bank incidents surfaced one after another. The depositors, in general wary of the medium and small banks, have been unwittingly transferring their deposits from medium and small banks to large banks. People in banking circles called this kind of slow slipping away of deposits and "intangible run on bank deposits." Although in practice it is vastly different from a run on a bank like a swarm of bees that closes down a bank instantaneously, it does produce the same result of depleting large amounts of bank deposits and creating a shortage in circulating funds.

Moreover, the medium and small banks are also plagued with some perennial problems, such as high cost in handling deposits and their limited ability to provide credit for customers. The so-called high cost for handling deposits means that the medium and small banks often have to negotiate short-term loans on a daily interest rate with their counterparts in order to cope with the withdrawing of cash by their customers, thus making the cost of handling deposits higher than the large banks. The medium and small banks, on the other hand, limited by their small scale naturally cannot meet the demands of big customers nor can they participate in any way in the enormous loans involving banking groups.

Suggestions for Rescuing the Banking Business

Many advocates have come up with numerous measures for rescuing the banking business in Hong Kong in the light of prevailing problems: 1) Setting up a deposits insurance system; 2) forming a contingency banking group by large banks; 3) establishing a discount window. The above-mentioned measures actually can only help medium and small banks experiencing difficulties in short-term turnover. For example, when the Ka Wah was threatened by rumors last year, the Bank of China formed a contingency banking group in conjunction with the Hong Kong and Shanghai Banking Corp. and openly declared that the Ka Wah Bank would be amply covered by a contingency loan. However, such an interim contingency measure failed to basically extricate the Ka Wah Bank from its predicament.

Other people have also made suggestions that the medium and small banks should go into operations to confront the large banks. However, there are only two forms of joint operations: 1. Those of a technical nature, such as the services being provided by the automatic deposit withdrawing machine. But this type of technical joint operations does not help solve the problems the medium and small banks now face other than giving them a better image. 2. The other is a genuine joint operation by supporting each other in circulating funds when needed. Theoretically speaking, this type of joint operation is very simple, but in actual practice, it is a complicated matter dealing with banking secrets, personnel management, and so forth. So unless banks are under the control of the same group, a genuine joint operation is impossible.

The term "bank mergers" coined by people in banking circles means that the medium and small banks are being taken over by large banks or they are forced to seek strong and powerful partners. This has become a most common trend in bailing out medium and small banks in trouble today. A case in point for example, is that the Hang Seng Bank became a shareholder of Wing On Bank, Chma Trust and Investment Corporation, injected capital into the Ka Wah Bank, and the Union Bank which ran into trouble recently also hoped to find a partner. Under these circumstances, few medium and small banks in Hong Kong today are still fully independent!

The Issue of Medium and Small Banks Being Merged

In the foreseeable future the reorganization of the independent medium and small banks remaining in Hong Kong will be accelerated and that it is a general trend that they will be taken over by large banks or drawn into partnership with powerful foreign capital interests. As a matter of fact, so long as the change is developed normally and healthily, it will not adversely affect Hong Kong's role as a financial center.

With the medium and small banks completely "rejoining" the ranks, the unrest in Hong Kong banking circles since September 1983 should come to an end. By then perhaps only a few large local banks and a certain number of foreign-capital banks will remain in Hong Kong banking business. The foreign-capital banks in Hong Kong have not been too keen about serving local banks all along, in other words, the local banking services in the future may be monopolized mainly by a handful of local banks.

As competition diminishes, it is quite likely that the efficiency of banking services may drop and bank customers may be charged for services rendered. It remains to be seen whether or not fees charged gradually by the banks to customers for certain services rendered represent the trend of development of the above-mentioned situations.

12662/12955
CSO: 4006/896

GOVERNMENT TAKES ACTION TO SAVE TROUBLED BANKS

Hong Kong MING PAO in Chinese 2 Apr 86 p 2

[Article: "Financial Secretary Explains: Using Surplus Foreign Exchange Fund To Save Banks in Trouble Is To Preserve the Confidence of Hong Kong and Foreign Depositors"]

[Text] The Financial Secretary SirJohn Bremridge explained his action of using foreign exchange fund to save banks in trouble. He indicated that the concern of the Hong Kong government is to make Hong Kong become a place where Hong Kong and foreign depositors feel at ease with their investment.

He said: The regulations for foreign exchange funds give the department of finance some power that can be exercised in due time. The regulations of banking institutions also give bank supervisors and managers some power that can be exercised immediately. Therefore, had we sat by and watched banks closing down and ignored the resulting runs on many other banks, we should have been blamed. The exercise of relevant powers should not wait for the debate of the legislative bureau, which should focus on preventing problems.

The foreign exchange fund has been used on many occasions in the past to support banks in trouble. The actual amount of funds used was within the limit of increases in the balance of the fund.

The financial secretary explained that he had not planned to answer questions on banking operations and the foreign exchange fund until next week when the meeting of the legislative bureau begins the bebate on the budget bill, but because of the comments of various reports during the Easter holiday he had to expound on the issue to clear away confusion.

Power Must Be Exercised Immediately Without Open Debate and the Legislative Bureau Should Focus on Preventing Problems

1. Adopting basic policies with minimum risks to protect the economy.

As the financial secretary I have confronted many problems in the banking field since the end of 1982 and the government has solved all of them in the most appropriate manner. Hong Kong's trade, industry, and employment depend on the stability of Hong Kong and its financial system. The consistent basic policy of the Hong Kong government is to maintain the stability of the two. When solving each problem, we pay special attention to adopting the policy of minimum risks. Our main goal is to protect the deposits of Hong Kong citizens and the faith of Hong Kong and international bankers in Hong Kong's banking system. We need to put out the fire when the fire alarm goes off, and we should adopt the most appropriate measure to put out the fire at the minimum cost before the fire spreads. Our greatest concern is not the area of shareholders and management but how to make Hong Kong a place where Hong Kong and international depositors feel at ease with their investment--no matter how much they have on deposit.

2. Adopting immediate action needs power that can be exercised immediately.

Because of this, the financial secretary and bank supervisors and managers must have the power they need. If an immediate action is required, relevant authorities must be able to exercise such powers immediately. This is why the financial secretary can exercise the power endowed by the regulations of the foreign exchange fund as he sees fit. By the same token, the regulations of banking operations also give bank supervisors and managers power that can be exercised immediately. Because every international center abides by the security principle of banks and because stocks are sensitive to information, it is impossible to carry out open debate. Such power should not wait for a debate on policies in order to be exercised. If the financial secretary and bank supervisors and managers thought they had no such power or were afraid of exercising their power and sat by and watched banks closing down and ignored the resulting runs on many banks, they should be blamed.

The Hong Kong Government Seems To Play the Role of a Central Bank

3. Preventing the rise of problems.

Our concern is what really happened, not theoretical possibilities. The debate should not involve the power to deal with fire alarms, but the prevention of fire alarms. The draft of the new rules and regulations for the banking business was drawn up after considering these problems.

4. The question of whether there is enough money in the foreign exchange fund.

If there is any confusion resulting from suspicion about the amount of the foreign exchange fund, let me clarify the situation. Surplus foreign exchange funds--I emphasize the word surplus--is Hong Kong's internal reserve fund. Although Hong kong is loaded with problems, the growth rate of surplus foreign exchange funds has been very satisfactory in the past few years and it will continue to be so in the future. The action we took to support some banks prevents, under the major premise of maintaining stability, the foreign exchange fund from being spent in a more direct way at an even higher cost. Even if the fund were used to maintain the stability of banking institutions or pay off all debts for them--the chance of this is next to nothing--the expenditure of the foreign exchange fund will be much lower (repeat: lower) than the increase of surplus (repeat: surplus) fund in the past 4 years. In other words, the actual amount needed to support these banks is within the limit of the growth of the surplus foreign exchange fund. The adoption of such an action may prevent the possible serious loss of the fund and, more importantly, social and economic confusion and trouble. The confidence of foreign countries in Hong Kong is the clear evidence of the success of this policy. Some international banks are still waiting in line to get into the Hong Kong market whereas one of the reason for such confidence is that all international bankers deeply believe that the Hong Kong government would act like the central bank of any other industrialized society and handle the problem as soon as it arises.

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END

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[Text] China has already spent 7 years in carrying out its economic structural reform. The initial success in rural reform has laid the foundation for an all-round reform and urban reform has also achieved major progress along the path of transferring power downward and enlivening enterprises. The market mechanism is gradually becoming a basic factor of China's economic operational system. But there are also many problems. In many areas and enterprises where we have relaxed control, there is already confusion in the course of invigoration and irrational practices are spreading. The question of where China's economic reform is headed has already become the focus of world attention.

I. The Problems China Faces

Fundamental difficulties for China's Economic Structural Reform

1. Over the past few years, the expansion of total demand has given rise to complicated repercussions in our society, fully disclosing that the economic structural reform is not one single act of a set of mutually coordinated acts, but an arduous and prolonged historical process. Even the so-called "one-package" economic reforms to shift the economy onto a new track that some Eastern European countries have been carrying out have all turned out without exception to be prolonged social movements that continue to correct themselves and deepen. (Footnote 1) (Many Hungarian economists hold that only by now can there be a hope for the Hungarian economic reform already underway for 17 years, to really begin. Refer to Hungary's ECONOMIC REVIEW No 11, 1985)

2. China's economic structural reform started relatively late, but the actual progress of the transformation of the economic operational model has been

relatively quick. There has been a trend for some major aspects of this transformation to exceed the progress of reform in other spheres. Therefore, it is necessary not only to find a special path for China's economic reform, but also to probe into the general law that governs the economic reform of socialist countries. In this sense, the difficulties in China's "second revolution"--the economic structural reform--are greater than those in the first revolution for the purpose of seizing the state power.

3. A sharp fluctuation in the total amount of effective economic demand is a pressure difficult for any society to bear. It is particularly dangerous in the process of economic reform. The peak of the expansion of total demand has already passed, but it continues to pressure us and make our macroeconomic decisions tend to become short-term and low-level. This is a clear proof of its danger. The difficulty lies in how to make a distinction between the interference of that short-term imbalance caused by the macroeconomic turbulence and the real challenge facing economic reform.

4. Fundamentally speaking, the economic structural reform is a consequence of the failure to effectively develop the economy; hence if we talk about reform in separation from development, it is impossible to really solve the problems related to economic development. But because the development of economy is a continuous dynamic process with a strong continuity, it is impossible for us to suspend economic development until we have carried out reform. Undoubtedly, the pressure of long-term development makes it even more difficult to choose the chain of thought for reform.

Major Problems in Continuing the Reform

5. Special forms of the transformation of the economic operational model. The transformation of China's economic operational model has embarked on a path of gradual progress and adopted the two-tier system format. To this, people both at home and abroad have voiced their objection in light of the general experience gained in the transformation from a centralized economy to market economy in the West after World War II or from the transformation of models in Eastern European countries. But why should the trend of two-tier system have emerged in China alone? What will be its unique prospects of development? If we do not understand these questions, we will not be convincing either in criticizing or supporting the two-tier system.

6. The organization, zones and structure of the market. Since we began to decentralize power and enliven the economy, a market has not correspondingly taken shape; in addition, problems such as blocked channels of commodity circulation, regional bottlenecks and poor economy of scale have emerged, indicating that in fact we do not have the clear idea of the connotation of the goal of the transformation of our economic operational model which we thought we had. What a planned economy reveals is only one feature of a modern commodity economy, namely, the state's management over and intervention with the market, but it does not reveal the scope and structure of the market itself. Is it a national or a regional market? If it is the former, would it have a great repercussion on China's economic development and layout of productive forces? If it is the latter, how would it affect the nature of the

transformation of our economic model? At present, the structure of China's industrial scale is already a structure in which large enterprises have a dominant position; therefore, it is perhaps not easy for a market structure of free competition to take shape after our market has switched to operate in a planned way. If we are not clear what kind of scope and structure of market that the economy is to switch into, then in practice, the transformation of the operational model cannot help but give rise to extremely sharp conflicts and blindness.

7. We are to once again lay a microeconomic foundation. The operation of a certain economic system is based on the prerequisite of corresponding relations of production. In a socialist economic reform, if we neglect the restructuring of microeconomic foundation while transforming the model of economic operation, then no matter how skillful the design of the models of market functions and the regulation of market mechanisms, there will certainly be breakdowns in the operation or it will be utterly impossible for the models to operate. This is the major experience gained in the great victory in the initial battle of rural reform and is also the basic cause of the difficulties in carrying out our urban reform.

8. Readjustment of income distribution. The friction and difficulties that have emerged as changes begin in the structure of income distribution does not prove that China's ancient philosophical idea "the trouble is inequality rather than shortage: still prevails. The crux of the problem is whether this change in income distribution means a change into awarding people on merits or a clear inequality of opportunities? The international experience that we can refer to proves that the skill in handling income distribution is often vital to the destiny of the reform. Reexamining the train of thought in reform related to the issue of income distribution is thus an urgent task for reform in a large country with extremely complicated conditions and for winning over universal understanding and support of the people.

Basic Clues in Carrying Out Reform

9. In the face of a chaotic situation that seems to be impossible to straighten out, people often give a, perhaps to some extent, simplistic explanation that we have not yet coordinated the reform in various spheres. Why have we failed to do so? In what spheres must our reforms be coordinated and formed into a full set? What reforms should consciously be separated from one another to reduce risks, difficulties and resistance in reforms? (The concept of economic reform itself means that it is separated from the cultural, educational, social, and even political reforms which are linked with it and which should also be carried out in light of conditions we are provided with and in order of significance and urgency.) The mission of our economic analysis is not to provide people with a confused system, but should be to correctly analyze a complicated and processed system of logic, point out the basic clues to it, and turn it into a historical process with order in time and space.

10. To find clues to the solution of the problems related to the whole system of the current economic structural reform, we must return to the cells of our planned commodity economy--our enterprises. We can say without exaggeration

that all the contradictions and conflicts have originated from the great experiment that is aimed at turning our state-owned factories and shops into genuine enterprises. All the friction in our macroeconomic regulation has emerged because we regard as enterprises the economic units that are in fact not enterprises in its proper sense, and regulate them as such. To really turn state-owned enterprises into economic entities that shoulder sole responsibility for profits and losses, in our economic reform, we must complete two most basic projects: 1) the transformation of the economic operational model to a format that is suited to national conditions; and 2) the simultaneous realization of the restructuring of the foundation of our system of ownership. Because of limited space, this article only discusses the first project.

II. The Two-Tier System: A Special Form for the Transformation of China's Economic Operational Model

11. What is essential in the transformation of our economic operational model is to initiate the market mechanism, mainly, the price mechanism. People always use the word shortage to sum up the characteristics of a highly centralized planned economy. In fact, shortage is to a very great extent the consequence of the implementation of a system of fixed prices. The mechanism of planning, material distribution and fixed prices of the traditional economic model operate together. The system of mandatory plans relies precisely on the strong distributive nature of the planned prices and thus firmly controls the allocation and circulation of materials and goods. Only by so doing can its administrative system operate in harmony. Enterprises are also divided into various classes because of the difference in their plans and their channels to obtain materials and goods; in other words, the difference in the amount of materials and goods that they can obtain at low prices and to the degree in which the sales of their products are ensured. This determines beforehand that the distributive relationship between the state and enterprises is certainly a relationship of eating out of the same big pot and a relationship in which what the state takes from the enterprises is greater than what it subsidizes them. From this we can see that the reforms in our price system and price management system put forth by the CPC Central Committee are pivotal to our economic structural reform. This shows the thoroughness of China's sweeping economic structural reform at its very beginning.

Historical Necessity for the Emergence of Diverse Prices

12. The Two-Tier price system is a typical reflection of the coexistence of dual systems in the period of the transformation of the model. The train of thought in understanding the reform of the two-tier system cannot be separated from China's actual historical environment. At the beginning, China transplanted the highly centralized model from the Soviet Union, but because China was a vast underdeveloped country, even the period of the highest degree of its centralism, the proportion of its products under the unified central planning was far lower than that in the Soviet Union and other Eastern European countries. Before Yugoslavia's reform in 1951, over 16,000 kinds of products were governed by central planning and were to be distributed among 165 ministries, several hundred bureaus and 8,000 enterprises. In the Soviet Union, the State Planning Commission governs over 2,000 kinds of products, and its central ministries distribute more than 30,000 kinds of materials and goods. (Footnote 2) (Liu

Guogang: "Economic Theory and System of the Soviet Union and Eastern European Countries" Zhanwang Publishing House, 1984 p 196) In 1979, China's State Planning Commission and General Administration of Materials and Equipment allocated only 256 kinds of materials and goods. In addition, China's planning system is of many levels. In 1979, local governments distributed 46 percent of our coal, 42 percent of our steel, 36 percent of our nonferrous metals, 18 percent of our timber, and 71 percent of our cement. (Footnote 3) ("China Economic Yearbook 1981" vol 4, p 124) For the same product, the central allocation price was often different from local distribution price. Besides, after the 1950's, China began to implement the policy of developing large, medium-sized and small enterprises simultaneously and walking on two legs. At that time, we experienced several setbacks, but the local state-owned enterprises that were not included or that were not entirely included in the state's distribution plans, especially township and town and rural collective enterprises, continued to account for a fairly large proportion in the national economy. This economic strength that has grown on the weak link of the traditional system consummately embodies the latent market factor in our planned economy. This is a phenomenon unique to China's economic development. It makes it impossible for China to make up the shortage of its planned distribution by haggling between upper and lower levels and between units at the same level, by searching, waiting or compulsory substitution, or by periodically laying production capacity idle as the Soviet Union and Eastern European countries do. Therefore, since the beginning of the 1970's, the economic cooperation outside state plans, barter and compensation trade has universally developed. (Some of the trade is even arranged by the governments at provincial level.) Since the beginning of the economic structural reform, the proportion of the output of urban and rural collective enterprises in the total output has continued to rise sharply. At the same time, outside the state plans has gradually switched from awkward barter to the trade at price premiums or at market prices. According to statistics, by the end of 1984, the turnover of materials and goods outside the state plans reached 50 percent of the turnover of the products allocated at planned prices. Because of the difference in circulation channels and relations between buyers and sellers, it was quite common for one product to have diverse prices. The emergence of diverse prices other than the planned one has broken the restriction under the traditional system in which the state-owned sector does not allow others to produce what it will not produce. This has been instrumental in readjustment the structure of industry, reinvigorating rural economy, improving the behavior of enterprises, and releasing production potential; but at the same time, it has indeed also yielded the negative impact in giving rise to speculation in resales of goods, in enabling small enterprises to have an advantage over large ones, and in giving rise to poor economy of scale.

13. Why have such strong collective enterprises in rural towns and strong township enterprises emerged only in China? In addition to the above-mentioned process, there are far-reaching social and economic causes. Ever since the establishment of the socialist ownership by the state in China, we have been faced with an extremely sharp contradiction: to feed one fifth of the world population with our very weak national strength (the per capita national income was 103 yuan and the per capita financial revenue was only 30 yuan). Therefore, except for the provision of necessary material aids to the poorest people by the

state, at the very beginning, it was not only necessary to provide rural people full freedom to "shoulder sole responsibility for profits and losses," but even in cities, it was also impossible to ensure that everybody had equal employment opportunity and social welfare and insurance. This has naturally produced a level by level division into central and local state-owned enterprises, enterprises owned by the state, collective enterprises, and large and small collective enterprises. Since the founding of the PRC, the state several times tried to relatively sharply increase the urban population and the number of employees in state owned enterprises, but was forced to stop or withdraw later because of limited financial resources. Only by relying on the persistent efforts of millions of laborers for their survival and for making themselves rich have urban and rural collective enterprises been able to maintain their existence amid repeated setbacks and to form a trememdous wave of development under the fine situation of the reform.

Making the Best Use of the Two-Tier System

14. This is precisely the background in which the train of reform thought about the two-tier system was put forth. This train of thought fully confirms the historical necessity and positive significance of the emergence of diverse prices in China. At the same time it tailored measures to the situation and designed the two-tier price system to overcome major defects of diverse prices. (Footnote 4) (Hua Sheng et al: "On the Path of Price Reform with Chinese Characteristics," JINGJI YANJIU No 2, 1985) In other words, 1) we declare that market prices are legitimate, and develop the potential of large enterprises for competitiveness; 2) the state participates in the organization of work to smooth bottlenecks in markets, put marketable materials and goods in short supply on the market to force market prices down and thus causes diverse prices to become one price; 3) the state, raises the listed prices to reduce the disparity between listed and market prices and thus cracks down on speculators; and 4) it strictly imposes the rule that products made of materials purchased at high prices be sold at high prices and those make of materials bought at low prices be sold at low prices, thus creating market and price conditions for roughly equal competition. The State Council's policy decision on the implementation of the two-tier system for price reform is not only conducive to making the structure of production better, but also greatly reduces irrationality in the internal structure of production scale. By so doing, it has turned a spontaneous process into an extremely important step of economic reform. The two-tier price system will further monetarize cooperation orginally outside state plans and exchanges of materials and goods, and formally initiate regulation of market mechanisms in the realm of state-owned enterprises activities (including large and medium sized enterprises). This marks the beginning of a sense of direction in the transformation of our economic operation model.

15. It was a pity that as we were planning price reform, we suffered a sudden attack of excessive expansion of total demand, which sharply pushed up market prices, made it very difficult to raise listed prices, and thus widened the difference between the two kinds of prices and speculative resales of goods. As a matter of fact, it has become impossible to implement the major steps of the two-tier system reform. Nevertheless, the small number of measures that we have initially adopted alone, such as the measures to allow state-owned

enterprises to sell some of their products on their own at market prices and the organization of an automobile market by the state, have already proved the tremendous power of reform in the direction of the two-tier system. Through sales in the market, raising funds for investment and other measures, extra-budgetary funds have begun to spontaneously make short-term movements and we have substantially alleviated the deterioration of the production and investment structure, a tendency arising from a distroted listed price system. In particular, because of shortages of funds, many large and medium-sized enterprises that produce raw materials and fuel, were unable for a long time to solve problems of incomplete equipment and problems related to the renewal and transformation of their technology. Now they have quickly raised large amounts of funds and there is a strong tendency of sustained increase in production. The automobile market, established with direct state intervention, has quickly stabilized prices of automobiles which rose dramatically because of rampant speculation at the time total demand fiercely expanded. Later, market prices of automobiles were the first to drop and took the lead in signaling for the end of the expansion of total demand. This accurately and promptly provided a reliable basis for macro policy decisions. Therefore, if we persist in regarding the reform to establish the two-tier system as the cause of problems such as turbulance in the market and small enterprises crowding out large ones--problems that are apt to crop up in a situation of diverse prices--then, obviously we will show that we lack understanding about the process of the development of history.

16. This of course does not mean that the two-tier system is perfect as a transitional system. Some comrades have pointed out that the transition to a two-tier system will be repleat with friction and sharp conflicts. They suggest that China follow the path of a transition of mixed prices that some Eastern European countries have taken. Under this system, only one price is allowed for one product, the prices of the products of which the supply and demand are in balance and are to be decontrolled, and all the products for which the internal and external prices differ greatly are monopolized by the state at unified fixed prices. By so doing, we would give rise to a price system formed by several different sectors and then transform it into a system of uniformed market prices. But the difficulties are that: 1) a price system is an integrated whole with mutually linked and dependent parts. How can prices of some products be kept fixed while prices of other products are really free? How can there be no extreme friction and clashes between these two kinds of prices? 2) At present, the most important materials and goods in short supply such as the three major materials are more than 50 percent under state control. How can the state monopolize all of them? Even if it could, how can it arrange the supply of these goods to satisfy the demand of each and every enterprise including 6 million township and town enterprises? Are we to allow the demise of enterprises that are not allocated with the materials and goods by our plans and that have no sources of purchase and are not allowed to purchase these goods? It seems that that suggestion is to a large extent divorced from China's reality.

Improving the Two-Tier System

17. The key to the two-tier price reform is to consolidate and establish a smooth-flowing market of means of production. If we cannot manage to ensure

that there is supply of goods at market prices in our market of means of production, the under the pressure of maintaining their production, in addition to striving for a greater share of planned allocation, even enterprises which observe the law will be forced to establish under-the-counter relations. As a result, there will be speculative resales of goods and loopholes for profiteers to exploit, and it will be impossible to put an end once and for all to the bad practice of keeping irrational levels of stock at every level and thus artificia-ly worsening the shortage of materials and goods. In China, we should not have the illusion that markets of large-scale flow of goods can take shape through free sompetition. The state must adopt powerful administrative means, conduct concrete organizational work and make detailed arrangement to expedite the formation and emergence of major markets.

18. The state accumulates its strength and raises the listed planned prices of the products in short supply. This is one of the basic aspects of the train of through about proce reform through the two-tier system. No matter how great improvement it is compared with the system of diverse prices, the two-tier price system in which listed prices differ greatly from market ones is after all a transitional system. It is impossible for this system to eliminate all the defects of the system of diverse prices, in particular the defect of seriously distorted planned prices. This is hown in the following: 1) The continuation of adverse readjustments in the spheres of production and consumption by excessively low planned fixed prices. 2) The marginal price readjustment role of market prices can gradually readjust the composition of production, but because of the existence of low planned prices for products in short supply, market prices will be substantially higher than equilibrium prices; therefore, enterprises can earn extra profits. In addition, as marginal demand decreased relatively quickly when the market is saturated, and as we do not have appropriate methods of taxation to restrict the construction of the projects that do not enjoy economy of scale, some enterprises are apt to be short-lived and thus suffer financial losses. 3) Different price signals in the two markets will inevitably foster friction and waste, especially when it is possible to haggle for quotas of cheap supply at planned prices, they will give rise to confusion in the behavior of localities and enterprises. As the two-tier prices are in fact a kind of price discrimination and division of the market; therefore, the key to the success of the two-tier system is that there must be a barrier between markets that are planned and outside of plans so that speculators have no loopholes to exploit. We propose that while we raise listed planned prices, we should sort out the targets of planned supply, substitute compulsory contracts of supply of goods that are made in strict accordance with the principle of products made of raw materials purchased at low planned prices being sold at low planned prices for mandatory plans for short-term input and output of enterprises, and allow all the products not covered in the contracts to be traded at market price, no matter whether the transactions are made among central departments, localities or enterprises. The products sold at low planned prices and the materials purchased at low planned prices in contracts for an enterprise are strictly matched and the products and materials not covered by the contracts are traded fairly among enterprises at market prices. We can thus not only eliminate loopholes between the two markets, but also, because we have already straightened out the external environment for the relations of planned material and goods between various enterprises, in the future, when the state raises the

listed prices, it will only be necessary to change the contracts of supply of goods and won't be necessary to again change the economic and financial relations of enterprises.

19. The universal significance of the two-tier system is not limited to the reform in the prices of means of production. In China, the purchases of agricultural products by contracts of order and those by negotiation are anther form of the two-tier system. The state's pruchases of large amounts of agricultural products by contracts can ensure the state has sufficient reserve of agricultural products, stabilize peasants' income, and guide the output level and direction of cultivation of agricultural products. Fluctuated transactions in the market can satisfy the diversified demand of production and livelihood and sensitively reflect the trend of changes in the costs of agricultural products, and thus become a mirror for the readjustment of prices of purchases by contracts. In future, when major buyers of grain become the grain and edible oil companies that have been turned into enterprises, the vitality of this two-tier format will continue. In China's financial and foreign exchange activities, to ensure the monopolized control and operation over the most important economic activities by the state or by the agent representing its interests and at the same time fully absorb the flexibility and perpetual stimulus of free competition and the regulation of market mechanism (certainly a must for a developing country whose economy is taking off), it is certainly also the trend of the times for us to adopt the two-tier system in financial reform and the foreign exchange market.

20. The theoretical significance of our two-tier system is that it shows that because of its special historical background, China's economic development and economic structural reform will not be realized amid a general balance in free competition, but will mostly be realized in an imbalance, self-stabilized system. On the other hand, both its economic development and structural reform depend on the efforts of enterprises in freeing themselves from administrative subordinate relations and inequality between different grades of enterprises. This requires a kind of form or path to enable us to break the system of inequality between different grades of enterprises before we complete the transformation of the entire vast operational system. The two-tier system provides such a form and this is its hostorical contribution. It is precisely in this sense, the two-tier system is a special form of transformation with relatively small risk and very great capacity that China has found. It is a great invention in China's economic structural reform.

III. Market Organization, Structure, and Areas

Market Organization--Decontrol of Prices Does Not Equal Formation of Market

21. A view has been in vogue that our economic structural reform is mainly aimed at decontrolling prices and developing the role of the regulation of market mechanism. Therefore, if problems crop up in decontrolling prices or in developing the role of the regulation of market mechanism, then surely, we have failed to satisfactorily carry out reform. In fact, this is a big misunderstanding: for the decontrol of prices is regarded as identical to the formation and perfection of our market. Historically, small commodity

production has always had free pricing, but if often took several decades or even several hundred or 1,000 years of development for specialized circulation organizations to become independent and separated from one another and for large-scale commodity distributing centers to emerge. Therefore, in a developing country like China where the degree of the commodity economy development is extremely low, inequality of opportunity and speculative resale of goods are unavoidable in the transition from unified and controlled prices to market prices, no matter what form of transition we adopt (two-tier or single-tier systems). This is because of the restriction of factors such as lopsided merket, poor transmission of information, blocked circulation channels, and inconvenient transportation. Clear proof of this is the lack of unified price in the open market; this becomes the major loophole for speculators to exploit. Therefore, during our price reform, the state's priority task is to organize rather than to regulate the market, in other words, to help establish markets through its intervention.

22. In current commodity economy, market organization first of all means the establishment of specialized circulation organizations and wholesale trade centers with stable and widespread circulation channels. In the period China implemented a highly centralized planned economy, it had already established a system of ciruclation organizations that had been the most powerful in our history, but the closed nature of the planned allocation service and the separated nature of regional balance very greatly restricted its functions. Therefore, transforming old circulation organizations, especially commercial, materials and gods wholesale, and cooperative supply and marketing organizations are the starting point for the establishment of our market organizations. Otherwise, the closed and monopolistic nature of the old organization will stifle the vitality of the growth of the new organizations, or the vicious spreading of the noneconomic speculative force will cause dislocation and confusion in the market. The establishment of free wholesale trade markets is a brand new undertaking for us; for it not only needs the existence of a large number of open circulation organizations, but also relies on widespread links in the channels of supply and marketing in our trade centers and markets. Strictly speaking, without the widespread establishment and normal operation of wholesale trade markets, especially future markets, we simply cannot talk about the formation and perfection of our market. A product market without future markets is merely a superficial and lopsided market, the price signals given by it are very short-term ones; as such, their regulation over the supply and demand relations is too frequent and will give rise to turbulence in the market and extremely high costs. In fact, the system of monopolized purchases and centralized allocation under the traditional economic structure to some extent played the role of a future market in stabilizing production. Hence if we cannot establish a future market, it will be difficult to reform the system of monopolized purchases and centralized allocation.

23. The barter and cooperation related to materials and goods outside the state plans are the soil to nurture our market mechanism. But, in the process of the development of price reform, widespread barter of material and goods hindered the commercialization process of our economy. People cling to maintaining noncurrency cooperative relationships often because they pursue special interests of localities, enterprises, employees, or even a small number of people. Undoubtedly however a major worry for enterprises is the lack of a

fully commercialized market which thus fails to satisfy normal and temporary demands of their production. As such, given the situation today, if our governments at each level continue to exert great effort to organize cooperation related to materials and goods rather than switch to organizing currency trade markets, then they will only hinder the establishment and perfection of the commodity market.

Market Structure--Prospects for the Development of a Two-Tier System

24. The purpose of organizing our market is establishing or strengthening links among the enterprises in the market. In a commodity economy, risk is a concept as important as profit. Risk obviously differs in transactions between enterprises of different economic scale and so do the economic relations between these enterprises. But these relations are restricted by the structure of our market. Market structure is classified according to the scale of enterprises, market share, and capacity to control the market. As market structure varies, so does the behavior of enterprises, the mechanism of price formation and laws governing price movement. At the current stage of the development of the socialization of production, the commodity market in most countries is of a structure of monopolized competition. In China, however, the degree of concentration of enterprises is not only lower than in developed countries, but also significantly lower than in developing countries of the same level of development, because of reasons such as administrative subordinate relations of our enterprises, the demand for internal balance in small yet complete regional systems, the product tax system which hinders specialized cooperation, and particularly, funds which are locked into assets and fund circulation which is blocked owing to the level by level breakdown of public ownership. (Footnote 5) (According to a report by the World Bank in 1984, in the early 1980's the number of enterprises with a work force larger than 243 people accounted for 0.6 percent of the total number of enterprises in China, 4.3 percent in South korea, 4.4 percent in India, 33.5 percent in Yugoslavia, and 65.1 percent in Hungary.)

25. Despite this, the planned market that China's economic structural reform wants to establish is greatly different from the primary model of free competition. (Footnote 6) (According to Industrial Statistics Annual, in 1984, the large enterprises that account for 2.8 percent of the total number of enterprises have 50.6 percent of the fixed assets and yield 37.3 percent of the output value, and 47.6 percent of the profits and tax payments of all the enterprises in the country.) As China's economy develops, the market structure will gradually become a structure of monopolized competition. This trend of economy of scale which has emerged on the basis of contemporary science, technology, and production organization, is a historical stage that we cannot surpass in implementing a planned commodity economic system. Therefore, in designing the targets of China's economic structural reform, we cannot have a vague hope for a market of completely free competition, but should consciously help our large enterprises and groups of enterprises grow and thus facilitate the development of satisfactory scale of economy. Generally speaking, large enterprises make relatively long-term planning and have relatively strong sense of social responsibility; as such, they naturally often become the dominant force in the economy. Yet, our small enterprises are usually more dependent and mostly adopt the

strategy of paying close attention to short-term demand in the market. Of course, this does not mean that we should give large enterprises boundless preferential treatment and passive protection, but means that we should encourage highly efficient enterprises to defeat and take over inefficient enterprises to enable their rapid development and expansion. Through the rise and fall of different enterprises, we will realize the concentration of resources in the hands of highly efficient enterprises and thus give rise to the optimium combination of scale for the dynamic growth of the economy. Only by so doing can we continue to maintain and heighten a powerful capability in mobilizing resources and guiding the development of production through a change in the system and on the basis of high efficiency. This is too important for China as a vast developing country.

26. From the above, we can see that in the planned market in the future, the two-tier system in the present sense will fade away, and we will perhaps have a system which is neither the old one in which the state fixed the prices, nor an entirely free market where prices are decided by competition. Since the reform in the pricing of nonstaple food in China's urban areas, the economic strength, access to information, and pursuit of medium- and long-term interests of state-owned commerce and some large urban and rural collective economic organizations are different from those of small enterprises; as such, their pricing mechanism is also very different from that of small producers in the market. But, because the current price level is relatively suited to supply and demand relations in the market, they can readjust prices by referring to long-term market trends and so their existence is reasonable. In our market of materials and goods, a trend has already emerged that some large enterprises intend to control the price movement by means of jointly fixing the prices for the products in their line of production. In a comtemporary monopolized competitive market, the commodity prices of modern monopoly enterprises are obviously stable, with little fluxation, because the short-term average cost curves of monopoly enterprises are relatively smooth, large monopoly enterprises are related to many sectors and are of great importance, the external costs for price changes are relatively high, and monopoly organizations lose some market share when they raise prices and are followed by competitors when they reduce prices. This is in sharp contrast to the drastic fluctuations in competitive prices of medium-sized and small enterprises. From this we can see that it is idealistic guess work about a commodity economy to think that there can only be one mode of price for the market price. Only, the diverse modes of market prices are reasonable because of the production organizational structure and market structure. These diverse prices differ in essence from two-tier prices today in that they are not fixed by the state but entirely by enterprises. Therefore, we can infer that when state commercial and material and goods administrative units are switched from the state administrative units under the jurisdiction of the government into large enterprises competing with one another, they would continue to dominate the market like the large enterprises and enterprise groups in the production sector. On the other hand, the only reason why a socialist country should firmly control the planned distribution and pricing of major materials and goods, is that when there is a major shortage of materials and goods, we should guarantee the superior and monopolistic position of enterprises which are the backbone force for the industrialization of China to speed up economic development. It is therefore very possible that the state's

fixed price in the two-tier price system will gradually evolve and be changed into the price fixed through the negotiation among large enterprises and enterprise groups or the dominant price in the line of trade. From this we can infer that the withering away of the two-tier system would depend not only on the rationalization of the price system, but also on the formation of market relations (including stable circulation channels among large enterprises and enterprise groups and the future market) that can entirely replace the state's allocation system.

Market Areas--Differences in Economic Geographical Environment

27. The formation and establishment of market prices depends on the changes in the areas or scope of market. A market that is divorced from the concept of space is merely an abstract concept of market, not a real market. For the establishment of a market that is open to the outside world, there should first be a reform in the taxation on circulation of goods. Since this is a question related to a very special field, we will tackle it later. The disparity in China's domestic market alone is enough to draw the attention of world economical circles. Because China's history of having been a semicolonial and semifeudal society, the economic geolographical enviornment differs broadly in various areas. There is not only the problem related to the dual economic structure between urban and rural areas, but also the "North-South" problem between its western and eastern parts. The key cities which are few in number and which have only 4.7 percent of China's population, yield a third of China's gross industrial output value. (Footnote 7) (Calculated on the basis of the date in the tables entitled "Basic State of Affairs in Key Cities" in "Chinese Statistics Yearbook (1983)" pp 35-102.) According to the estimate by the World Bank, China's urban living standard is on average two or three times better than that of its rural living standards. Regional dispartiy is even bigger. For example, the per capita industrial output value in Jiangsu Province is twice that of Gansu Province; while the per capita agricultural output value in Jiangsu is nearly three times that of Gansu. Liaoning's net visible output value is 3.2 times that of Guizhou's and Shanghai's is 11.1 times that of Guizhou's. Even in the same line of trade, the retorn to capital employed differs widely in different areas (see table below). These great disparities in urban and rural areas and in regions are facts we must consider and face squarely when we transform China's highly centralized system of planned allocation with the state collecting all the income and paying all the expenses into a planned market model.

Profit rate (defined as the sum of profit and tax payment divided by net value of fixed assets) of the state-owned industry for 1982 calculated for different sectors in various provicnes

Area	Jiangsu	Hubei	Gansu	National Average
Industry				
metallurgy	22	17	10	23
power	38	19	24	23
chemical	37	20	18	38
machine building	34	14	14	21
textile	100	58	54	81
paper	50	17	7	33

(Source: Report of the World Bank's 1984 Group to inspect China's economy)

28. One of the possible choices is to follow the path of a unified market. The contradiction in this path is that as we establish a unified domestic marmet, especially as we perfect the market system, there would be a tilted factor market in the whole country. Increasingly violent movements of production factors and various resources from rural to urban areas and from western to eastern China would emerge. The production capacity in central and western China would be moved away and die out, the production layout would worsen overall and the regional disparity in economic development and income would continue to widen. There may be a sharply titlted commodity market in which goods move from east to west, in other words, the goods from Shanghai and coastal areas would occupy the market in central and western China. At the same time, since selling goods at home would be profitable and since there is a vast domestic market, the export drive would be weakened in coastal areas. As a result, commodities from Japan, the United States and other countries would again flood eastern coastal areas. Under these circumstances, the desire to thoroughly modernize coastal industry and to move traditional industry to the hinterland and rural areas would all go up in smoke. Obviously this is not a prospect we want. From the above we can see that in development of a unified market with unclean ideas over the past few years, the division of markets in many areas and regional barriers are not without any elements of "justified defense."

29. Another choice is to develop regional markets. Those who favor this choice hold that the improvement in the rate of utilization of the resources in the areas would offset losses caused by friction between various areas. But, in an integrated political state, the greatest issue concerning regional marekts is the barriers on boundaries between various areas. There would be no regional market whatever if besides the natural barriers caused by geographic conditions, there are no artificial barriers including barriers along the boundaries and customs duties. At the same time, people also worry that the practice of developing regional markets might inevitably push up the average social costs of the commodities at home. Therefore, at least so far we do not see any prospect for the realization of this choice.

30. In China, we should develop the advantages of a unified market and take tino consideration also dispartities in the production conditions in different areas. This is perhaps the second best choice, a choice to follow the path of having a unified domestic market while taking into consideration regional production costs. The differences in economic geographical environment can be summed up as the geographical difference in land. As such, we can make a proper distinction between the production conditions of rural and urban areas and in different regions to bring their strong points into play and competition on the basis of earning roughly the same level of operational income despite different production costs. As the rationalization of production layout is ensured, we can be assured of good economic results from the distribution and layout of resources before we know the efficiency of the utilization of resources. For a country with vast territory and huge resources such as China, we should pay sufficiently close attention to the idea that "the layout decides 30 percent of the results."

31. Land tax (rent) must be collected by localities and be a source of their revenue. Judging by the situation in most countries, land taxes or rents are

universally the major sources of local government revenue. Therefore, it is necessary to become clear about the role of localities. Over the past few years, people have frequently blamed localities' role in overexpanding the total demand. Of course, they have good reasons to do that. Yet, very few people have ever had the idea that the behavior of localities, in particular those at provincial level, are molded and regulated by evaluation indexes and the interest distribution system decided by the central authorities. When the central authorities regard gross industrial and agricultural output value as the yardstick of evaluation and distribute financial resources according to administrative subordinate relations, it is inevitable that localities get the urge for unrestrained expansion. To turn localities, especially those at the provincial level, from magnifiers of demand overexpansion into controllers of demand overexpansion and to switch their focus of attention to various aspects of environmental service for the operation of their economy and to large scale development of a tertiary industry that is proportionately harmonized internally, we must universally substitute the comprehensive index of gross national product for the index of gross output value, and we must first carry out a financial reform in which we substitute graded local taxes, the collection of which is stipulated by law, for different practices in apportioning government expenditures among various social sectors--a financial reform whose core is the alteration of the composition of local government financial sources.

There is an internal symmetry in the expenditure composition and revenue composition of local finance. Even if we implement a system to divide tax revenues among governments at various levels, if the major financial resources for localities are shares of income and product taxes, then local governments would certainly pay attention only to their industry and commerce, especially those related to cigarettes and wine, which earn high profits and pay much in taxes. If the major financial resources for localities are taxes on land, then they would spontaneously be concerned about and carry out construction of basic facilities.

32. As for the basic steps to collect land taxes, we can consider the following: 1) On behalf of the central authorities, the Ministry of Finance estimates the base figures of taxes on various land in all the provinces and regions and the cities under them. 2) These base figures would be taken into the base figures of the financial revenue of various localities and thus their shares of other kinds of taxes would be correspondingly reduced. 3) The power to actually collect land taxes should be granted to localities, but the central authorities could preserve the power to fix the maximum and minimum limit of land taxes. Land taxes should be collected after income tax. This would be conducive to turning land tax into rent later. 4) The provincial and regional governments would decide on their own the rate of their land tax and the proportion of burdens between areas under them and between their urban and rural areas. They could also first calculate the base figures as the central authorities do and then grant the pwoer of collection to cities and counties. 5) When localities collect land tax, they are in fact faced with the choice between options to prusue long-term or short-term interests. If they tax heavily, they would be benefited in the short run, but they would hurt the competitive capacity of their enterprises, reduce the investment attraction of their areas, and may thus cause production factors to move away; this

would be detrimental to long-term income. If the tax is too low, they would fail to satisfy the minimum demand of their financial expenditures. By so doing, through the independent choice of various local governments, various roughly suitable regional costs would spontaneously take shape. In areas where conditions are mature, we could further adopt the method of inviting tenders in the market to decide the amount of rent and thus transform the land tax system into the rent system.

33. When we have established a commodity market and perfected its functions, enterprises can look forward to being provided with external conditions to carry out reasonable competition. Of course, just as people have unaminously pointed out, this market is still narrow and should be coordinated by the markets of various kinds of production factors. Only then can there be a perfect market system. Nevertheless, we are afraid that China's economic structural reform cannot follow the general Western path from commodity to factor market. This is not only because factor distribution in China has, of course, special forms and channels, but also because the economic structural reform in a socialist country will first encounter obstacles common to its restructured microeconomic organizations. Straightening out market conditions and deciding regional costs only pave the way for the beginning of the tough battle in urban economic structural reform--the restructuring of the foundation of the ownership system.

(Writers' note: comrades Zhou Qiren, Ji Xiaoming, and Peng Zhaoping gave valuable opinions during the discussion of the article.)

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CSO: 4006/917

GANSU'S HOU ZHONGBIN ON SIXTH 5-YEAR PLAN ACHIEVEMENTS

HK080323 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 7 May 86

[Text] In his government work report delivered at the fourth session of the sixth provincial people's congress, Vice Governor Hou Zhongbin said that during the Sixth 5-Year Plan, output of the province's major products reached or surpassed the targets set by the plan. The province also completed a number of capital construction and technological transformation products.

The province fulfilled 1 or 2 years ahead of schedule the plans for output of major agricultural products, except for a few items such as tobacco. The Sixth 5-Year Plan called for grain output of 5.25 to 5.5 million tons by 1985. The province has maintained output above 5.3 million tons since 1983. Output of oil-bearing crops, cotton, and sugarbeet respectively overfulfilled the planned targets by 87.8 percent, 2.7 percent, and 50 percent. Readjustments were carried out regarding 39 out of 100 major industrial products as a result of changes in the market, with supply exceeding demand. Output of the 61 other products reached or exceeded the targets set by the plan. Growth in output of energy, raw materials, and consumer goods was relatively great. A number of capital construction and technological transformation projects were also completed. Some 2.87 billion yuan in investment were spent on renovation and transformation projects, and 5.67 billion yuan in investment in capital construction were spent, a rise of 21.7 percent compared with the Fifth 5-Year Plan. Some 3,151 projects went into operation or gave benefit, increasing the fixed assets by 4.2 billion yuan, a rise of 26.2 percent over the Fifth 5-Year Plan period.

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CSO: 4006/1035

GUIZHOU PEOPLE'S CONGRESS HOLDS PLENARY SESSION

Hu Jintao Attends Opening

HK300831 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 28 Apr 86

[Excerpts] Spring is very much in the air and everything in Guiyang looks fresh and gay in April. The fourth session of the sixth Guizhou Provincial People's Congress opened at the Provincial Government auditorium on the morning of 28 April. Permanent chairmen of the presidium act as executive chairmen of the sessions. These are Zhang Yuhuan, Xia Yewen, Luo Dengyi, Bai Lin, Ran Yannong, Wang Bingyun, Qian Yunzhong, Liang Wanggui, and Zhou Yansong. The presidium was composed of leading comrades of the provincial CPC committee, the provincial advisory committee, the provincial discipline inspection committee, the provincial government, the provincial CPPCC committee, and the provincial military district, Hu Jintao, Wang Chaowen, Ding Tingmo, Su Gang, Shen Yunpu, (Liu Hanzheng), Zhang Shukui, Liu Yulin, Xu Caidong, Zhang Yuqin, Miao Chunting, Song Shugong, Li Xiangong, Wang Fuqing, Yang Hanxian, Tang Hongren, Mao Tieqiao, Zhu Yuru, Yuan Jiaji, Jian Xianai, Wang Qingyan, Meng Sufen, Zhang Chaolun, Wang Jingyuan, Chu Zhenmin, and Jiao Bin. Also seated with the presidium were (Xie Jinghan), the responsible person of the provincial higher people's court, and Li Ling, responsible person of the provincial people's procuratorate.

The session was presided over by Zhang Yuhuan, executive chairman of the session and chairman of the provincial people's congress standing committee.

Provincial Governor Wang Chaowen gave a report on the province's Seventh 5-Year Plan.

[Begin Wang recording] All delegates, on behalf of the provincial people's government, I am now going to give you a report on the province's Seventh 5-Year Plan for economic and social development for examination and approval.

The Seventh 5-Year Plan adopted at the recently concluded fourth session of the Sixth NPC is a blueprint for China's economic and social development in the latter five years of the 1980's. It indicates that China's socialist modernization construction has entered a new stage. [end recording]

The governor delivered a 20,000-character report to the representatives of the 30 million people of various nationalities in the province, on China's Seventh 5-Year Plan for economic and social development. His report was divided into five parts.

1. A review of the implementation of the Sixth 5-Year Plan. 2. The fundamental tasks and targets of the Seventh 5-Year Plan. 3. The focus of economic construction in the Seventh 5-Year Plan and the main policies and measures. 4. The targets and tasks of economic structural reform during the Seventh 5-Year Plan. 5. Vigorously strengthen the building of socialist spiritual civilization.

Wang Chaowen said that to guarantee the fulfillment of the main tasks and targets of the Seventh 5-Year Plan, the province must give play to its strong points, improve [word indistinct] results, lay down a good foundation, and increase reserve strength. Proceeding from the future exploitation of natural resources and readjustment of the production structure, the province must: Vigorously develop agriculture; speed up the development of the energy, communications, and raw materials industries; increase production of consumer goods; speed up scientific and technological advancement and the training of talented people; and expand economic and technological ties with other provinces and foreign countries. The province must treat development in the above five fields as the focus so as to promote the development of the whole economy and the fulfillment of all tasks.

Members attending the 4th meeting of the fifth provincial CPPCC committee attended the opening session as observers. Also attending the session as observers were some deputies to the sixth NPC, and responsible persons from all departments of the provincial CPC committee, the provincial people's congress standing committee, the provincial government; from all Guiyang bureaus of all ministries and commissions under the State Council; and from all higher learning institutes in Guiyang.

The fourth session of the sixth provincial people's congress held its second plenary meeting at the provincial people's government auditorium on the afternoon of 28 April.

The meeting was presided over by Luo Dengyi, executive cyairman of the session.

The participants first listened to a draft report by (Zhou Banghua), director of the provincial planning commission, on the economic and social development plan for the province in 1986.

(Zhou Banghua) said that according to the arrangements in the draft plan, the province's industrial and agricultural output value will increase by 10.07 percent over 1985. The province's GNP for 1986 will increase by 12.4 percent over 1985. The province's national income will increase by 11.3 percent. The fixed assets investment made by enterprises owned by the whole people will reach 1.504 billion yuan.

He said that to ensure the fulfillment of the plan for 1986 and to win the first battle in the Seventh 5-Year Plan, great efforts should be made to firmly grasp the following tasks.

1. Continue in-depth discussions in rural areas on reaping bumper harvests to get rich. 2. Widely hold discussions in industrial enterprises on increasing production and income. 3. Firmly grasp the circulation channel. 4. Vigorously develop horizontal economic ties. 5. Strengthen and improve macroeconomic control.

Then (Long Xinyang), director of the provincial finance department, delivered a draft report to the meeting on the province's final accounts for 1985 and financial budget for 1986.

The province's financial revenue in 1985 was 1.449 billion yuan, and its expenditure 2.387 billion yuan. There was a balance of 294.88 million yuan at the end of 1985, which was the balance between revenues for 1985 plus subsidies granted by the central authorities and the balance carried forward from 1984 on the one hand, and the expenditures for 1985 on the other hand. This balance figure shows a slight increase over that at the end of 1984.

On the province's budget for 1986, (Long Xinyang) said that the principle governing the province's budget for 1986 is to: Act upon financial policies and maintain a steady increase in financial income on the basis of promoting production and improving economic results; act in accordance with the financial system; further perfect various financial and taxation systems and reform measures; continue to support in a planned way and with emphasis, large and medium-sized enterprises in carrying out technical renovation; act according to our capability and give full play to our own abilities; ensure priority projects while taking general ones into consideration; develop education, science and technology; reasonably increase expenditures in subsidizing agricultural production; continue to improve people's livelihoods; and to maintain a balance between revenues and expenditures for 1986.

From 29 April onward, the delegates will discuss and examine in panel groups the three reports given by Wang Chaowen, (Zhou Banghua) and (Long Xinyang). Members attending the fourth session of the fifth provincial CPPCC committee also attended yesterday afternoon's plenary meeting as observers.

Session Concludes

HK080327 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 7 May 86

[Excerpts] The fourth session of the Sixth Guizhou Provincial People's Congress victoriously concluded in Guiyang on 7 May. The session called on the people of all nationalities to unite closely, display the spirit of the foolish old man, and work in concert to victoriously fulfill the province's

Seventh 5-Year Plan. The closing ceremony was attended by responsible comrades of the provincial CPC committee Hu Jintao, Wang Chaowen, and Ding Tingmo.

The session elected (Zhang Youru) as a replacement member of the provincial people's congress standing committee.

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CSO: 4006/1035

HU JINTAO ATTENDS GUIZHOU PROVINCIAL CPPCC SESSION

Meets New CPPCC Members

HK081553 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 6 Apr 86

[Excerpt] On the afternoon of 6 May, provincial party, government, and army leaders met with new standing committee members and members of the provincial CPPCC committee elected at the fourth session of the fifth provincial CPPCC committee. Among the provincial leaders were Hu Jintao, Wang Chaowen, Ding Tingmo, Shen Yunpu, Luo Dengyi, Xu Caidong, Jiao Bin, and leaders of the provincial CPPCC committee.

The new standing committee members and members of the provincial CPPCC committee were (Wang Siming), (Wang Zhuxiong), (Zheng Hanfeng), (Ding Xuan), (Sun Zhengdong), (Yin Guangzhong), (Ru Ruoqiu), (Zhou Yinyi), and (Shi Minzhao).

Further on Meeting

HK090243 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 6 May 86

[Excerpts] The fourth session of the fifth provincial CPPCC committee concluded at the provincial CPPCC auditorium on the afternoon of 6 May. Song Shugong, Meng Sufen, and Zhang Zhaolun, vice chairmen of the provincial CPPCC, acted as executive chairmen of the session. Miao Chunting, chairman of the provincial CPPCC committee; Li Xiagong, Wang Fuqing, Yang Hanxian, Tang Hongren, Miao Tieqiao, Zhu Yuru, Yuan Jiaji, Jian Xianai, Wang Qingyan, Wang Jingyuan, and Chu Zhenmin, vice chairmen of the provincial CPPCC committee, attended session and were seated on the rostrum. Provincial party, government, and army leaders Hu Jintao, Wang Chaowen, Ding Tingmo, Su Gang, Shen Yunpu, (Liao Hanzheng), (Liu Ruizhi), Zhang Yuhuan, Luo Dengyi, Qiao Yunzhong, Xu Caidong, and Jiao Bin attended the session and were seated on the rostrum. Hui Shiru, Wang Leting, and Sun Hanzhang, former responsible persons of the provincial CPPCC committee, also attended. A total of 456 members were present.

(Wang Siming) and (Wang Zhuxiong) were elected standing committee members of the fifth provincial CPPC committee; (Wang Siming) was also elected secretary general of the committee.

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CSO: 4006/1035

HEBEI CPPCC COMMITTEE MEETING OPENS IN SHIJIAZHUANG

Xing Chongzhi Attends Opening

SK071233 Shijiazhuang HEBEI RIBAO in Chinese 24 Apr 86 p 1

[Excerpts] The Fourth Session of the Fifth Hebei Provincial CPPCC Committee opened ceremoniously in Shijiazhuang, the capital of the province, on 23 April.

The simply decorated, solemn session hall was filled with an atmosphere characterized by democracy and unity. A CPPCC emblem hung at the center of the rostrum with 10 red flags on both sides and fresh flowers and greeen cypress in front.

Yin Zhe, chairman of the provincial CPPCC committee, presided over the opening ceremony.

Party, government, and army leading comrades, including Xing Chongzhi, Xie Feng, Li Wenshann Yang Zejiang, Sun Guozhi, Zhang Chao, Ye Liansong, Lu Chuanzhan, Qu Weizhen, Bai Shi, Liu Ronghui, Chen Yujie, GuoZhi, Yue Zongtai, and Dong Xuelin, attended to extend warm congratulations.

Seated on the rostrum were Xu Chunxing, Zhang Ruolin, Bai Tieshi, Chen Lintang, Ma Zhouzhou, Li Ganliu, Wang Enduo, Ma Xinyun, Liu Zongyao, and Du Jingyi, vice chairmen of the provincial CPPCC committee; and Shi Xizhi, secretary general of the provincial CPPCC committee.

Also invited to today's session were Wang Youhui, Liu Zhenhua, Han Shufan, Liu Kedong, Chang Shouluan, and Jiang Shougui, members of the National CPPCC Committee; and Jia Qiyun, Lu Zhiguo, and Xu Ruilin, former vice chairmen of the provincial CPPCC committee.

At 0900, Yin Zhe declared the session open. All the participants rose when the national anthem was played.

Yin Zhe said in his speech: This session is convened shortly after the conclusion of the Fourth Session of the Sixth NPC and the Fourth Session of the Sixth National CPPCC Committee, and in the excellent situation in which the political situation of the province has become more stable and united, economic construction is developing vigorously, and marked results have been achieved in the reform of various fields. Displaying the spirit of political consultation, democratic supervision, and cooperation in work, this session should hold earnest discussions and consultations on such major issues as the "Seventh 5-Year" Plan of our province, the plan for 1986 national economic and social development, and the building of the two civilizations in order to unify thinking and steps and to make new contributions to the implementation of the "Seventh 5-Year" Plan.

Major items of the agenda of this session are: 1) to hear and discuss the "Report on the Work of the Standing Committee of the Fifth Hebei Provincial CPPCC Committee"; 2) to hear and discuss the "Report on the Situation in the Handling of Motions Since the Third Session of the Fifth Hebei Provincial CPPCC Committee"; 3) to attend as nonvoting delegates the Fourth Session of the Sixth Hebei Provincial People's Congress; and 4) to elect additional Standing Committee members of the provincial CPPCC committee, to elect a new secretary general of the provincial CPPCC committee, and to approve the various resolutions of this Standing Committee.

Entrusted by the Standing Committee of the fifth provincial CPPCC committee, Vice Chairman Xu Chunxing delivered a report on the work of the Standing Committee at the session, and Ma Zhuozhou, vice chairman of the provincial CPPCC committee and chairman of its motions work committee, delivered a report on the situation in the handling of motions since the third session of the fifth provincial CPPCC committee. The session is scheduled to last for 7 days and to conclude on 29 April.

Vice Chairman Gives Report

SK101222 Shijiazhuang HEBEI RIBAO in Chinese 27 Apr 86 pp 1-2

[Excerpts] At the fourth session of the fifth provincial CPPCC committee, which opened on 23 April, Xu Cunxing, vice chairman of the provincial CPPCC dommittee, entrusted by the provincial CPPCC Standing Committee, delivered a work report.

The report states: Since the third session, and under the guidance of the party's principles and policies on the united front work and the leadership of the provincial CPC committee, the provincial CPPCC committee has done a great deal of work and scored certain achievements in promoting the program of building the socialist modernization, achieving a fundamental turn for the better in party style and social morale, and developing the patriotic united front by upholding the principle of conducting reforms, creating something new, continuously opening new fields of work, improving work methods, and upgrading work standards, and thanks to the common effort exerted by all CPPCC members and the staff members of the CPPCC organs.

1. Efforts have been made to exercise the function and power of political consultation and democratic supervision and to be the staff and assistants of the provincial CPC committee.

During the past year, our country has made a start in conducting overall reforms in economic systems with the work emphasis of urban transformation, and has achieved rapid development in this regard. We have also paid attention to relaying the relevant documents of the CPC Central Committee and the provincial CPC committee among the CPPCC members and introducing the development of building the two civilizations in order to enable them to learn as soon as possible about the national and provincial situations in terms of politics and the economy.

After issuing the guiding outline (draft) for 1986 work, the provincial CPC committee and the provincial people's government invited the responsible persons of the provincial CPPCC committee, the democratic parties, and the mass organizations concerned to hold a forum to solicit their opinions. The forum was presided over by Xing Chongzhi, secretary of the provincial CPC committee, and Zhang Shuguang, governor of the province. At the forum, participating comrades, with great political enthusiasm and an earnest and responsible attitude toward the discussion, spoke glowingly of the guiding ideology and main tasks for 1986 work and the conrete measures for continuously pushing forward the program of building the two civilizations, and submitted their opinions for amendments, of which some important opinions and proprosals have been acceopted.

In dealing with motions offered by the members, we have created a new work situation in which motions submitted by the members are many, the speed of handling the motions is rapid, and the results scored in disposition of motions are good. During the period from the third session of the fifth provincial CPPCC committee to March 1986, we received 585 motions offered by the members. The number of motions was greater than before, and the quality of the motions was higher than before. As of 15 March this year, we dealt with and responded to 570 motions, which accounted for 97.4 percent of the total number of motions that deserved to be handled. Thus, we better fulfilled the task of dealing with the motions during the period.

The opinions and proposals offered by the CPPCC members with regard to the province's major policies have drawn great attention from the departments concerned under the provincial CPC committee and the provincial people's government.

During the past year, the provincial CPC committee has also further strengthened leadership over the CPPCC work. In mid-February this year, the provincial CPC standing committee heard the report given by the leading party group under the provincial CPPCC committee with regard to a summation of 1985 work and the major outline of 1986 work. The standing committee also acknowledged the achievements and experience gained by the fifth provincial CPPCC committee during the past 3 years and offered its opinions for continuously advancing the CPPCC work.

2. Efforts have been made to bring into play the CPPCC strong point of being a galaxy of talent, and to serve the drives of conducting reforms and building the two civilizations.

In order to organize and enable the members and the personages of various circles with whom the members have set up close ties to actively suggest ways and means and to make contributions to the program of building the four modernizations, members of the provincial CPPCC committee and the work groups under it have conducted special investigations and held special discussions in line with the important issues of concern to the masses, such as systematic reforms, economic construction, and culture and education. They have also offered their opinions and proposals to the provincial CPC committee and the provincial people's government with regard to promoting what is beneficial and abolishing what is harmful.

In mid-January this year, the provincial and Shijiazhuan City CPPCC committees jointly organized an inspection group to carry out an inspection of the cultural and book markets, dance halls, and theaters throughout the capital of the province. They found that the market style was characterized by poor management, that illegal tabloids and publications with fantastic and vulgar content were still sold and lent, and that dance halls and theaters were poor in terms of both management and order. In particular, dance halls perpetuated malpractices and overly indulged in business dealings. All of these have violated the provisions issued by the central departments concerned.

By bearing in mind their professional work and proceeding from the current need for conducting reforms and economic construction, various work groups have held many discussions on specific topics. In November 1985, the educational work group held a special forum on conducting reforms in educational systems, at which participants offered their proposals on the issues of improving leadership over education, strengthening scientific research forces, dealing with the shortage of funds and teachers, and conducting reforms in managerial systems in order to cope with the problems cropping up in vocational and technical education while conducting educational reforms. In January of this year, the group held a discussion and offered proposals for amendments to the "temporary (draft) provisions" on enforcing the 9-year compulsory education throughout Hebei Province.

3. Efforts have been made to enhance the propaganda and liaison work to Taiwan and foreign countries and to carry out the people's diplomatic activities.

In order to help the CPPCC members, the staff members of the work commission in charge of reunifying the motherland, and the personages of circles concerned further understand the party's principles and policies on Taiwan and foreign countries, we have held many report meetings on the situation regarding the policy toward Taiwan and foreign countries and also held a forum to study the grand policy on "one country with two systems." In 1985 we wrote almost 100 propaganda articles on foreign policies, of which 42 were adopted by journalist units.

4. Efforts have been made to carry forward the spirit of conducting reforms and creating something new and to do a good job in compiling the historical accounts of past events.

In order to meet the needs of the development of the situation and to enable the work of compiling the historical accounts of past events to better serve the program of building socialist spiritual civilization, we have made all-out efforts to improve the methods of collecting and compiling the historical accounts of past events by displaying the spirit of conducting reforms and creating something new. In 1985 we published three volumes of the "Selected Works of Hebei Provincial Historical Accounts of Past Events."

5. Efforts have been made to enhance guidance and contract with the CPPCC committees at the city and county levels and to create a new situation in the CPPCC work throughout the province.

In July 1985, we made an on-the-spot investigation of the CPPCC work in Qinhuangdao City and the two counties under the city. In early and mid-September 1985, we and the United Front Work Department under the provincial CPC committee jointly organized 7 investigation groups participated in by the chairman or vice chairmen of the provincial CPPCC committee, and a number of cadres at the section level, to go to 8 provincial-level cities (1 city level district), and 30 counties of the 9 prefectures to investigate or learn about the service rendered by the CPPCC work to the program of building the two civilizations. They held extensive discussions with the CPPCC comrades at the grassroots level units on some questions with universal applicability and helped them sum up their experience and discover some typical cases with specific characteristics. In mid-December 1985, on the basis of making full preparations, we held the second experience-exchange meeting on the CPPCC work at city and county levels to sum up and exchange the methods and experience gained by the CPPCC committees at city and county levels in carrying out the CPPCC work in an all-around way under the leadership of the party committees at all levels by concentrating on rendering service to the program of building the four modernizations, and bringing into play the CPPCC function of political consultation and democratic supervision and the CPPCC strong point of being a galaxy of talent.

In his work report, Xu Cunxing stated: The year, 1986, is the first one in fulfilling the Seventh 5-Year Plan in an overall way. In line with the demand set forth by the provincial CPC committee, the emphasis of the CPPCC work is to help the party and the governments implement the "Seventh 5-Year Plan," and to pay much attention to the programs of conducting reforms and building socialist spiritual civilization while continuously doing a good job in grasping economic construction. The details of these tasks are as follows:

1. Continuous efforts should be made to unclog the channels of political consultation and to enrich the content of consultations in order to better bring into play the function and power of the CPPCC committees.

2. Efforts should be made to further bring into play the CPPCC strong point of being a galaxy of talent and to put forth their wisdom and strength in line with the provincial Seventh 5-Year Plan and the central tasks of the provincial CPC committee and the provincial people's government.

3. Efforts should be made to regard as an important task of the CPPCC committees the work of helping the party and the governments enhance the building of spiritual civilization. In straightening out party style and combating evil social morale, efforts should be made to bring into play the CPPCC role of democratic supervision, to boldly expose the problems in this regard, and to conduct criticism against the evil trends and offer proposals for improvement.

4. Efforts should be made to frequently organize the CPPCC members and the social personages in a timely manner to carry out study activities, to continuously carry forward the fine tradition of the people's political consultations, and to voluntarily study Marxism-Leninism-Mao Zedong Thought and current politics in order to enhance self-education and self-improvement.

5. By continuously holding high the patritoic banner, efforts should be made to strengthen the contact between the CPPCC members compatriots," and to expand the patriotic united front through their extensive contacts and friendly activities.

6. Efforts should be made to further invigorate the work of collecting and compiling the historical accounts of past events.

7. Efforts should be made to earnestly implement the spirit of the forum sponsored by the National CPPCC Committee with regard to local CPPCC work, to assist the United Front Work Department under the provincial CPC committee to further strengthen the guidance and contacts with the CPPCC committees at city and county levels, and to study and discuss the CPPCC problems with universal applicability in order to help the CPPCC committees at city and county levels sum up their experience, carry forward their achievements, and further create a new situation in work.

8. Efforts should be made to deeply conduct propaganda work and education on the theories and policies concerning the united front work. We should make concerted efforts with the United Front Work Department under the provincial CPC committee in organizing the forces of various circles to carry out research concerning the theories and policies of the united front work and to convene the provincial seminar on theories of the united front work. By making use of mass media, such as newspapers and radio and television broadcasting stations, efforts should be made to extensively publicize the character, position, and role of the CPPCC committees in the new historical period and to expand the CPPCC influence among the people.

9. Efforts should be made to have the CPPCC organs vigorously carry out building ideologically and organizationally in order to strive to achieve a fundamental turn for the better in party style and in organizational work style within the year and to strive to create civilized units.

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CSO: 4006/1035

FOURTH SESSION OF SIXTH PROVINCIAL PEOPLE'S CONGRESS OPENS

SK120712 Shijiazhuang HEBEI RIBAO in Chinese 26 Apr 86 p 1

[Excerpts] The Fourth Session of the Sixth Hebei Provincial People's Congress ceremoniously opened in Shijiazhuang at 0900 on 25 April.

At the session, Vice Governor Li Feng delivered the "Report on Hebei Province's Draft Seventh 5-Year Plan for Economic and Social Development," and submitted the draft "Seventh 5-Year" Plan to the congress for discussion.

Executive chairmen of the meeting held on the morning of 25 April were Sun Guozhi, Wu Qingcheng, Guo Zhi, Yue Zongtai, Zhang Zhenchuan, Pan Chengxiao, Liu Ying, Wang Yu, Han Qimin, Wang Youhui, and Li Tie, executive members of the Presidium of the south session of the sixth provincial people's congress.

Seated on the rostrum were Xing Chongzhi, Xie Feng, Yang Zejiang, and Yin Zhe, as well as executive chairmen of the 25 April meeting and other leading members of the congress Presidium.

Seated on the rostrum at the 25 April meeting were Li Wenshan, Li Feng, Zhang Chao, Ye Liansong, Lu Chuanzan, Qu Weizhen, Bai Shi, and Chen Yujie, responsible comrades of the provincial CPC committee. Also seated on the rostrum were responsible members of the provincial adviosry commission, the provincial people's government, the provincial CPPCC committee, the provincial military district, the various democratic parties, the provincial higher people's court, and the provincial people's procuratorate, including Wang Zuwu, Hong Yi, Zhang Ruolin, Bai Tieshi, Chen Lintang, Ma Zhuozhou, Li Ganliu, Wang Enduo, Ma Xinyun, Liu Zongyao, Du Jingyi, Dong Xuelin, Zhang Pingdong, Liu Zhiqi, Yang Naijun, Liu Zhenhua, Zhu [name indistinct] and Yu Zhenzhong.

Also seated on the rosturm were Wang Zheng, Zeng Mei, Fei Guozhu, Niu Shucai, Hu Kaiming, Cao Youmin, Ge Qi, Ding Tingxin, Zhao Zhenzhong, Huang Hua, Zhou Xueao, Jia Qiyun, and Lu Zhiguo.

At 0900 on 25 April, Sun Guozhi, executive chairman of the meeting and chairman of the provincial people's congress standing committee, declared the meeting open. All the 910 deputies and other personnel participating in the meeting rose to their feet when the PRC's national anthem was played.

Then, Vice Governor Li Feng, on behalf of the provincial people's government, delivered the "Report on the Province's Draft Seventh 5-Year Plan for Economic and Social Development."

Attending the meeting as observers were the CPPCC members participating in the fourth session of the fifth provincial CPPCC committee; responsible members of the various departments and commissions under the provincial CPC committee; responsible persons of the organs of the provincial people's congress standing committee; and responsible persons of the various departments under the provincial people's government.

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REPORTAGE ON JIANGXI CPPCC SESSION IN NANCHANG

Session Hears Reports

OW060317 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 4 May 86

[Excerpts] The Fourth Session of the Fifth Jiangxi Provincial CPPCC Committee held a second plenary meeting this afternoon to hear a report by Shen Hanqing, vice chairman of the provincial CPPCC committee, relaying the guidelines of the Fourth Session of the Sixth CPPCC National Committee, and one by Wu Yunzhong, vice chairman of the provincial CPPCC committees, on the guidelines of the National Forum on Local CPPCC Work. Executive chairmen of today's session were Lu Ziaopeng, Lu Liang, and Li Shanyuan.

Vice chairmen of the provincial CPPCC committee, including Yang Yongfeng, Liu Jianhua, Wu Yongle, Wu Tiyu, and Jin Liqianga were present.

CPPCC Meeting Ends

OW101736 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 9 May 86

[Excerpts] After completing all the tasks specified in its agenda, the fourth session of the fifth Jiangxi Provincial CPPCC Committee closed at the Zhongshan Hall in Nanchang this afternoon.

Today's meeting was jointly chaired by Yang Yongfeng, Liu Jianhua, and Wu Tiyu, vice chairmen of the provincial CPPCC committee. Seated at the rostrum were Wu Ping, chairman of the provincial CPPCC committee; Liu Xiaopeng, Shen Hanqing, Lu Liang, Li Shanyuan, Wu Yongle, Jin Liqiang, and Wu Yunzhong, vice chairmen of the provincial CPPCC committee; and members of the Standing Committee of the provincial CPPCC committee.

Attending the meeting by invitation were Xu Qin, Zhao Zengyi, Wang Shufeng, Zhu Zhihong, (Lin Yisheng), (Liu Zhonghou), Zhao Zhijian, (Chen Guidun), Fang Qian, Laio Shaoyao, Ni Nanshan, Zhu Danhua, and (Gui Siuying), who extended their congratulations on the closing of the Fourth Session of the Fifth Provincial CPPCC Committee.

At 1500 Yang Yongfeng declared the meeting open.

The first item on the agenda was to elect the additional members of the Standing Committee of the Fifth Jiangxi Provincial CPPCC Committee. By a show of hands, the meeting elected (Li Peiyao), (Qiu Weiyang), (Kang Kuangshi), (Yang Xiaochun), (Guo Kemi), and (Zhu Guohua) as members of the Standing Committee.

The meeting urged CPPCC organizations and members throughout the province to rally more closely under the leadership of the Jiangxi Provincial CPP Committee, display the pioneering spirit of waging hard struggle and of the foolish old man in moving the mountain, carry forward the fine traditions of the CPPCC, advance in a down-to-earth manner, and make concerted efforts to fulfill our province's Seventh 5-Year Plan. The meeting also approved a report on the examination of the motions submitted to the Fourth Session of the Fifth Provincial CPPCC Committee.

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NI XIANCE DISCUSSES JIANGXI'S 7TH 5-YEAR PLAN

OW071451 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 6 May 86

[Text] In his report to the Fourth Session of the Sixth Jiangxi Provincial People's Congress, Governor Ni Xiance set forth the guiding thought, goals, and basic tasks of our province's Seventh 5-Year Plan.

Ni Xiance said: The overall guiding thought for our province's Seventh 5-Year Plan was spelled out for us by Comrade Hu Yaobang, who said that Jiangxi should strive to accelerate its economic development at a slightly higher speed than the nation's average, and should go a step further in invigorating the economy and opening to the outside world. The goals in economic and social development for the period of the Seventh 5-Year Plan are as follows: To strive to basically complete the foundation of a socialist economic system with Chinese characteristics and full of life and vigor, and to vigorously promote science and technology and exploit intellectual resources. By 1990, while economic results are constantly improved, total agricultural and industrial output value shall reach 43 billion yuan and the gross provincial product 34.4 billion yuan, both more than double the figures for 1980; the major indexes of economic results in industry shall approach the nation's average; local financial revenue shall reach 3.5 billion yuan; the per capita consumption level of urban and rural residents shall grow about 45 percent as compared to 1985; the living standards of people in the old revolutionary base areas shall show marked improvement; and there shall be further improvement in the quality of life and in the living environment and in living conditions.

Ni Xiance emphasized that, in order to realize the goals set for the period of the seventh 5-year plan, the following eight guiding principles must be followed: 1. Persist in placing reform above everything else, correctly handle the relationship between reform and construction, and make sure that total social demand and supply are basically balanced so that reform and construction can adapt to and promote each other. 2. Make persistent efforts to open to the outside world with still bolder steps. Promote international economic and technological cooperation and exchange as well as lateral economic ties. Through such endeavors, make active use of capital, technologies, talented people, and management experience from overseas and from other parts of the country and apply them in exploiting our province's rich resources and speeding up our province's economic development. 3. Persist in focusing attention on improving economic results in all aspects of economic work, give prominence to improving product quality and reducing material consumption, find out and decide what economic growth rate is best suitable to the actual conditions in our province, and promite a proportionate and efficient development of the economy. 4. Persist in vigorous development of the rural economy with development of agriculture as the foundation, and make efforts to lengthening the two short legs of diversified agricultural production and village and town enterprises. 5. Persist in promoting science and technology and exploiting intellectual resources with the understanding that it is of strategic importance, and speed up development of undertakings in science and technology and in education. 6. Adhere to the principle of concentrating construction efforts mainly on technical renovation, reconstruction, and expansion of existing enterprises. Fix the scale of investment in accordance with the state plan, step up technical renovation of enterprises, and accelerate construction of energy, transport, telecommunications, and raw materials projects. 7. Persist in efforts to improve the material and cultural life of people in urban and rural areas on the basis of developing production and increasing labor productivity, correctly handle the relationship between developing production and improving people's living standards, and continue to carry forward the traditional spirit of hard struggle and building up the country through thrift and hard work in all undertakings. 8. Persist in simultaneously promoting material and spiritual civilization. While building socialist material civilization, efforts should be made to attain a high degree of socialist spiritual civilization.

Ni Xiance said: Agriculture is the foundation of the national economy. We must further restructure production in the rural areas to bring about allround invigoration of the rural economy. This will be the emphasis of the entire economic work during the Seventh 5-Year Plan. It is also the key to ensuring steady growth of the economy of the whole province. We must further restructure industry by appropriately speeding up development of the consumer goods industry, stepping up construction of the energy and raw materials industries, and developing the machine-building, electronic, and other industries in order to achieve an industrial structure with Jiangxi's characteristics. We must gradually correct the imbalance between tertiary industry and primary and secondary industries, concentrate attention on the construction of transport and telecommunications projects and the development of commercial service and tourist industries, and see to it that the growth of output value of tertiary industry will exceed the growth in value of the gross provincial product.

Ni Xiance said: During the Seventh 5-Year Plan period, we must pay attention to education as much as we do to economic construction, and must realize that it is of strategic importance to promoting science and technology. This is a fundamental task which affects the whole situation will bring about a considerable improvement in education and science in the province. In developing science and technology, emphasis should be placed on serving economic construction, particularly on tackling key economic projects with potentially high economic results. In education, it is necessary to act in accordance with the principle of meeting the needs of modernization, the world, and the future by developing schools of various branches of learning at various levels in a coordinated and balanced manner and greatly enhancing our capability to train competent personnel. Effective measures should be taken to make competent personnel want to stay, to lure talented people to our province and make reasonable use of them, and to build a contingent of scientists and engineers with fairly high qualifications.

Ni Xiance pointed out: In developing the economy in the old revolutionary base areas, it is necessary to rely mainly on local resources and to aim at achieving common prosperity. The emphasis of our work should be on helping the people in these areas to find ways to shake themselves free from poverty and become well off and to solve the problem of sufficiency in food and clothing. To enable the old revolutionary base areas rid themselves of backwardness, it is necessary to implement the principle of relying on local resources, promoting coordinated efforts by the various departments, and using state support while achieving invigoration through joint efforts and further relaxing policy controls so as to enhance the vitality of these areas. Support from all trades and departments is needed to invigorate the economy of the old revolutionary base areas. We must mobilize and organize all the forces of society to support construction in these areas at various levels, through various channels, and in various forms.

Ni Xiance stressed: During the Seventh 5-Year Plan period, we must make further efforts to open still wider to the outside world, in every direction, and with even bolder steps. We must develop foreign trade, use foreign capital, and import technologies on a much wider scale. At the same time, active efforts must be made to develop tourism as well as cooperation with foreign countries in construction and labor service projects. In opening to the outside world, we must pay attention to exports as well as imports. The essential thing in expanding efforts to attract capital and technology is that we must be able to increase exports and earn more foreign exchange. We must make full use of the capital and the talented people we obtain from other provinces and step up the transfer of advanced technologies from the coastal areas to our province in order to renovate enterprises and develop our province's resources.

Ni Xiance said: The most important and fundamental guiding principle for economic and social development during the Seventh 5-Year Plan period is to persist in giving first place to reform and make active and careful efforts to push all reforms. This is the key to successful fulfillment of the construction tasks set for the Seventh 5-Year Plan period. There are three main aspects in economic structural reform during this period. First, we must further invigorate enterprises, espeically big and medium-sized ones. Second, we must make further efforts to develop the socialist commodity market and gradually improve the market system under the guidance of the state plan. Third, we must step up and perfect our macroeconomic management system and perfect our means of regulation.

An important factor in restructuring the economic system during the next 5-year period is to promote lateral economic ties by stressing the work in the following six areas: 1) We will actively promote ties with regions and enterprises which are financially sound and technologically strong so that we can attract their capital and technology. 2) We will organize all kinds of joint enterprises, such as production and marekting enterprises, by coordinating the operation of large and medium-sized mainstream manufacturers with small manufacturers to produce quality goods. 3) We will organize joint enterprises that handle on their own production, supply, and marketing of agricultural and sideline products as well as industrial goods in accordance with the natural flow of commodities so that new forms of commercial operations combining agriculture, industry and commerce can be gradually established. 4) We will gradually centralize heat and gas supply in cities where industries are relatively concentrated, and we will gradually promote specialized production in areas where operation among manufactuers can be centralized. 5) As the enterprises and research organs of of Jaingxi's defense industry are technologically strong and well equipped, we will promote joint military-civilian undertakings and accelerate the transfer of military technology to the civilian sector. 6) We will ensure that industrial enterprises in cities will expand toward surrounding suburbs and counties. By branching out, they should help promote the growth of rural enterprises. In particular, they should help promote economic growth in the old revolutionary areas by intensifying economic and technical assistance to their counterparts in these areas.

Ni Xiance stressed: During the next 5-year period, we must consider our consumption needs, as well as the needs of production and contruction, and maintain a proper proportion between accumulation and consumption. On the basis of promoting production and increasing national income, we should continue to improve the people's living standards. We should, in accordance with the state's centralized planning, improve the distribution of income among the people and continue to uphold the policy of letting some people become affluent ahead of others. While we must exert efforts to combat egalitarianism, we must guard against irrational and excessive dispartiy of income between workers in our enterprises and people in society as a whole. We must firmly stop the conduct of competing with each other in raising pay, increasing benefits, and issuing bonuses in cash or in kind, and intensify the work of properly guiding people on consumption. We must attach great importance to planned parenthood and continue to act firmly in controlling population growth.

Ni Xiance said: During the next 5 years, we must intensify the implementation of socialist laws while expediting reforms and construction, and our material construction must proceed hand in hand with spiritual construction so that our socialist modernization program can be smoothly carried.

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CSO: 4006/1033

JILIN HOLDS PEOPLE'S CONGRESS STANDING COMMITTEE MEETING

Major Agenda Items Listed

SK070606 Changchun Jilin Provincial Service in Mandarin 0930 GMT 6 May 86

[Excerpts] The 19th standing committee meeting of the 6th provincial people's congress was held in Changchun City on 6 May. The major agenda items of the meeting were to relay and study the spirit of the Fourth Session of the Sixth NPC, to discuss the draft resolution on studying and implementing the spirit of the session, to examine and discuss the provincial draft provisions on forest management and the draft provisions on economic contract management, to discuss the draft resolution on putting an end to the two local laws and regulations, to hear and discuss the report given by the provincial people's government with regard to the implementation of the PRC accounting law and the report on conducting reforms in scientific and technological systems throughout the province, and to examine and discuss the draft plan formulated by the provincial electoral committee with regard to electing next term deputies at county and township levels.

Huo Minguang, vice chairman of the provincial people's congress standing committee, presided over the plenum of the meeting on 6 May. At the plenum, Chairman Zhao Xiu delivered a speech, in which he relayed the spirit of the Fourth Session of the Sixth NPC.

At the meeting, Zhu Jinghang, vice chairman of the provincial people's congress standing committee, delivered a speech, in which he spoke enthusiastically of his personal understanding gained from the Fourth NPC session.

Attending the meeting were vice chairmen of the provincial people's congress standing committee, including Liu Cikai, Cui Lin, Wang Jiren, Yu Ruihuang, Dong Su, Renqinzhamusu, and Xu Yuancun.

Attending the meeting as observers were Wang Jinshan, vice governor of the province; Li Xiangwu, chief procurator of the provincial people's procuratorate; and responsible comrades from the provincial higher people's court, the departments concerned under the provincial people's government, and from the offices at all levels of the standing committees of city or autonomous prefectural people's congresses.

Meeting Concludes

SK140854 Changchun Jilin Provincial Service in Mandarin 0930 GMT 13 May 86

[Excerpts] The 8-day 19th standing committee meeting of the 6th Jilin Provincial People's Congress ended in Changchun today. The meeting called on the people of various nationalities throughout the province to work in unity and with one heart and one soul under the leadership of the provincial CPC committee, to display the spirit of the foolish old man who moved the mountain while doing pioneering work, to actively participate in the great practice of the Seventh 5-Year Plan, and to strive to successfully fulfill all tasks during the province's Seventh 5-Year Plan period.

Zhao Xiu, chairman of the provincial people's congress tanding committee, presided over this afternoon's plenary meeting. At the meeting the participants unanimously adopted a resolution of the provincial people's congress standing committee on conscientiously studying and implementing the guidelines of the Fourth Session of the Sixth NPC.

This afternoon's plenary meeting also adopted the Jilin provincial provisions on economic contract management, a resolution of the provincial people's congress standing committee on putting an end to the provisional regulations of the Jilin Provincial People's Government on placing minor criminals and violators of law under social supervision and management and on conducting education among them, and a resolution of the provincial people's congress standing committee on putting an end to the provisional regulations of Jilin Province on levying and managing the civil lawsuits fees. The meeting also adopted a plan of the Jilin Provincial Electoral Committee on electing next term deputies at the county and township levels, and a namelist of the appointments and dismissals of personnel.

Attending the meeting were vice chairmen of the provincial people's congress standing committee, including Huo Mingguang, Liu Cikai, Cheng Shengsan, Cui Lin, Wang Jiren, Yu Ruihuang, Dong Su, Renqinzhamusu, Zhu Jinghang, and Xu Yuancun. Li Xiangwu, chief procurator of the provincial people's procuratorate, and the responsible persons of the provincial higher people's court, the relevant provincial government departments, the various city and autonomous prefectural people's congress standing committee, and the Baicheng office attended the meeting as observers.

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CSO: 4006/1035

NEI MONGGOL'S BU HE DISCUSSES SEVENTH 5-YEAR PLAN

SK020413 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 May 86

[Text] In his report on the draft Seventh 5-Year Plan, Chairman Bu He said: In order to fulfill the basic tasks of the Seventh 5-Year Plan, we should adopt the following strategic measures:

1. We should continue to enhance our understanding, and persistently place reform in the first place. We should correctly understand and handle the relationship between reform and construction, further readjust production relations to make them suit and promote the development of productive forces, effect a change of the old economic system into a new one, and basically establish a foundation for a socialist economic system with Chinese characteristics, and full of vitality and vigor. Governments and leading persons at all levels should unify their understanding of the protractedness, complexity, and importance of reform, and resolve, through reform, all the unavoidable contradictions and difficulties cropping up in the course of reform. They should never let their faith in reform be shaken no matter what difficulties and complications they encounter, nor should they turn back to the old road whenever difficulties arise. As has been proved in practice, there will be no way out if we turn back.

2. We should continue to thoroughly implement the principle of developing diverse undertakings with the focus on forestry and animal husbandry, and further carry out the various infrastructure for agriculture successfully. Agriculture is the foundation of the national economy, and grain is the foundation of the foundation. Never at any moment should we deviate from this idea. Upholding the principle of greatly developing animal husbandry is of great political and economic significance. The general requirement is to attach equal importance to quantity and quality, to develop production and management at the same pace, to take both cropping and pastoral areas into consideration, to raise both plant-eating animals and omnivorous animals simultaneously, and to bring the production level and economic results of our region's animal husbandry up to a new stage. The key to readjusting the production setup of the rural and pastoral areas is that we should, first, continue to plant trees and grass persistently with great efforts, and guarantee a stable development in the quality of tree and grass planting; and second, continue to develop township enterprises vigorously, give play to the role of local advantage in resources, and make our products readily

marketable. Through the development of township enterprises and the operation of rural industries to support agricultural production, we should gradually establish, in the rural areas, an operational system of coordinated production, processing and marketing.

3. We should strengthen and improve the macroeconomic control, and further bring into balance the relations among the various sectors of the national economy. We should gradually combine the role of planning with that of market, and the microeconomic flexibility with macroeconomic control, and gradually perfect the various economic and legal means, and supplement them with necessary administrative means in order to control and regulate the operation of the economy, and reorient the economic development toward a new track. In the meantime, we should make a success of the coordinated reforms of planning, prices, and wages, and blaze a new road in which the macroeconomic control system coordinates well with the microeconomic self-regulating mechanism.

4. We should make a breakthrough in weak links, and enhance our reserve strength in economic development. In our region, the economic foundation is rather weak, and there are many factors restricting the economic development. At present and for some time to come, the [words indistinct] are: 1) The strained transportation and communications; 2) a lack of talented people; and 3) a serious shortage of funds. During the Seventh 5-Year Plan period, we should exert great efforts to achieve breakthroughs in these three aspects through reform, planning, and construction, and make [word indistinct] preparations for the overall economic and social development in the 1990's.

5. We should greatly expand lateral economic contacts, and establish a crisscross and vigorous economic network. The general idea is the cooperation between southern and northern parts of the region, the exchange between the eastern and western parts of the region, the introduction of investment from abroad and the establishment of lateral ties at home, and the mutual support between the urban and rural areas. The cooperation between the southern and the northern parts means the cooperation between cropping and pastoral areas, and the full play of the role of grain in the southern part of the region, and the role of animal husbandry in the northern part of the region. The exchange between the eastern and the western parts means to strengthen the association, cooperation and ties between the two economic areas in the eastern and the western parts of our region. The establishment of lateral ties at home and the introduction of investment from abroad means the implementation of an open strategy to develop lateral economic ties in both quality and range. The mutual support between the urban and the rural areas represents a new task for economic development in the new situation. We should make the best use of the situation, pay attention to the performance of the radiative functions of central cities, and, through joint operation, technology transfer, and labor division and cooperation, realize common prosperity of the urban and the rural areas with the former leading the latter, and the latter supporting the former. In the meantime, we should further do a good job in the reform and construction of small market

towns, further expand the exchanges and contacts between the urban and the rural areas, and enable the urban and the rural economies to infiltrate, supplement, and support each other, and enable industry, agriculture and animal husbandry to develop in a coordinated manner.

6. We should strengthen leadership, improve our workstyles, and upgrade the government work to a new level.

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WORK REPORT OF NEI MONGGOL PEOPLE'S CONGRESS STANDING COMMITTEE

SK100354 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 8 May 86

[Work report of the regional people's congress standing committee delivered by Batubagen, chairman of the regional people's congress standing committee, at the fourth session of the sixth regional people's congress--with portions recorded]

[Text] [Begin recording] Fellow deputies:

Entrusted by the regional people's congress standing committee, I hereby make a report on the work of the standing committee since the third session of the sixth regional people's congress. Since the third session of the sixth regional people's congress, the standing committee has conscientiously implemented the guidelines of the Third Session of the Sixth NPC and the national conference of party delegates, has conscientiously studied the resolutions adopted by the third session of the sixth regional people's congress, has grasped the legislation and supervision work focusing on the economic structural reform and the modernization drive, has performed the rights entrusted by the Constitution, the local administrative laws, and the laws on the regional national autonomy, and has exploited the role of the local state power organs. [end recording]

Chairman Batubagen reported the work, in its four aspects, done by the standing committee since the third session of the sixth regional people's congress. First, it has grasped the local legislation work focusing on the economic and national legislation. Second, it has strengthened the supervision over the local state administrative organs, the judicial organs, and the procuratorial organs centering on the building of the two civilizations. Third, through organizing the people's deputies to conduct investigations and through conscientious handling of motions raised by the deputies, [words indistinct]. Fourth, it has further strengthened the contacts with the people's congress standing committees of various cities, banners, counties, and districts.

[Begin recording] Fellow deputies, since the third session of the sixth regional people's congress, the work of the regional people's congress standing committee has been developed continually and soundly in our course of conscientiously implementing the Constitution, the local administrative laws, and the laws on the regional national autonomy. However, our work still falls short of the standards stipulated by the laws and the people's demands. We should constantly sum up experiences and strive to improve our work. The year 1986 is the first year of the Seventh 5-Year Plan as well as a year for consolidating, digesting, supplementing, and improving our achievements. The regional people's congress standing committee should grasp construction with one hand, and the legal system and the guiding ideology with the other hand; should conscientiously implement the guidelines of the national conference of party delegates and the Third Session of the Sixth NPC; should vigorously strengthen with one heart and one mind the socialist democracy, perfect the socialist legal system, strengthen national legislation, economic legislation, and supervision over the laws; and should make great efforts to ensure a smooth development of the regional economic structural reform and the socialist modernization drive, and to ensure the fulfillment of the region's Seventh 5-Year Plan. [End recording]

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WANG LINZHONG REPORTS ON NEI MONGGOL PROCURATORIAL WORK

SK101102 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 8 May 86

[Text] In his work report to the fourth session of the sixth regional people's congress, Wang Linzhong, chief procurator of the regional people's procuratorate, said: Since the beginning of last year, procuratorial organs at all levels throughout the region have subjected themselves to the guidance of the guidelines of the 3d Plenary Session of the 12th CPC Central Committee and the National Conference of Party Delegates; have developed their professional work in line with the guiding ideology of submitting themselves to and serving the party's general tasks and goals, the principle of opening to the outside world and invigorating the domestic economy, and the policy decisions for the economic structural reform; and have made fresh headway and scored remarkable achievements in dealing strict blows to serious criminal and economic crimes, in protecting the citizens' personal and democratic rights, in striving for a fundamental improvement in public security, and in protecting and promoting the reform and construction programs.

In his report, Chief Procurator Wang Linzhong pointed out: In 1986 we should regard as the guiding ideology Comrade Deng Xiaoping's important instruction on grasping construction with one hand and grasping the legal system with the other hand, should continue to deal blows to serious criminal offenses in line with the principle of dealing with criminal offenses severely and promptly according to the law, and should effect a stable improvement in public security on the basis of effecting a remarkable improvement in it. In addition, we should comprehensively carry out all items of the procuratorial work, centering on dealing blows to serious economic crimes.

Chief Procurator Wang Linzhong said: Strengthening the self-construction of the procuratorial organs is of great significance in building a democratic society characterized with a legal system, in safeguarding the dignity of the Constitution and the laws, and in penetratingly conducting the campaigns of dealing blows to serious criminal offenses and economic crimes. At present, we should vigorously intensify the ideological and political work, should administer the police in a strict manner, should attend to the training work to improve the competence of cadres and policemen, and should make new contributions to stepping up the democratic dictatorship by the people and safeguarding and promoting the economic reform, the open policy, and the four modernizations.

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NINGXIA SECRETARY'S SPEECH TO PROVINCIAL CONGRESS

HK160437 Yinchuan NINGXIA RIBAO in Chinese 30 Apr 86 pp 1, 2

["Excerpts of Li Xuezhi's Speech to Fourth Session of Fifth Ningxia People's Congress"]

[Text] Comrades:

The current sessions of the regional people's congress and CPPCC are a complete success. These two sessions are the sessions for drafting our strategic plan and presenting a grand blueprint, carrying forward the revolutionary cause and forging ahead into the future, and triumphantly fulfulling the tasks enumerated in the Seventh 5-Year Plan. They will inevitably exert a tremendous influence over Ningxia's political, economic, and social life and give impetus to the development of various undertakings. At the sessions, the delegates and members have made many useful and constructive proposals which have enlightened us and promoted our work. On behalf of the regional CPC committee, let me take this opportunity to express my heartfelt thanks to the delegates to the people's congress and members of the CPPCC who have contributed to the building of Ningxia's spiritual and material civilizations.

Now I would like to present some views on the Seventh 5-Year Plan.

I. Reform Is the Central Task of the Seventh 5-Year Plan Which Should Be Carried on Through To the End

Reform is the only way out for China's four modernizations and the bridge leading to national revitalization. Besides reform, there is no other way out for China as well as Ningxia. It is a distinctive characteristic of the Seventh 5-Year Plan to put the overall reform of the economic structure in the first place. Comrade Xiaoping said that the central task of the Seventh 5-Year Plan is reform. They key to satisfactorily accomplishing the constrution tasks during the Seventh 5-Year Plan period, maintaining a sustained, steady, and coordinated development of the economy, and preserving the necessary reserve strength for the continuous economic and social development during the 1990's [word indistinct] in reform.

In recent years, Ningxia has made explorations and great efforts on reform. We have achieved remarkable successes in rural reform and gained initial results in urban reform. Reform has invigorated our urban and rural economies, brought for the gratifying changes in the people's lives and mental attitude, enlisted extensive support from the masses, and become an irresistable historical trend giving impetus to economic development and social progress.

The going reform is an extensive, profound revolution. It intends to reform the old economic pattern and establish a new economic system with Chinese characteristics. The substitution of the old system for a new one covers an extremely arduous and complicated process which may give rise to certain frictions and conflicts. We must have a correct understanding of the problems emerging in reform rather than complain about or negate reform or waver in our confidence in reform, still less should we attribute the current unhealthy tendencies to reform. The solution to the problems of reform can be found only through the course of the deepgoing process and perfection of reform. In this regard, to be at a standstill or slip back to the beaten track will not work. While old problems are constantly being solved, new problems will constantly raise. Therefore, we must make a study of the new situation, solve new problems, accumulate new experiences, and push reform forward. The mistakes made in exploration and reform should be strictly differentiated from the practices that take advantage of reform to engage in unhealthy tendencies. We must resolutely curb unhealthy tendencies and courageously carry out reform. We must protect, support, and help the reformers. In recent years, a large number of pioneers in Ningxia have enthusiastically plunged themselves into the reform. With the spirit of forging ahead and the courage to think, act, and make explorations, they have made great contributions to the development of Ningxia's reform and economic construction. Although some of them may have shortcomings and even make mistakes in work, we should never negate their achievements and spirit of reform. Regarding the reformers who have chosen the correct path and advanced with big strides but have encountered numerous obstacles; we should share their burdens and help them tide over their difficulties. With regard to the reformers who have attained marked successes in reform and also made mistakes, we should affirm their achievements as well as seriously carry out criticisms and help them correct their mistakes. As to the reformers who have suffered setbacks and even failures due to lack of experience, we should enthusiastically help them sum up experience, boost their morale, and encourage them to forge ahead. We must resolutely investigate and deal with those who take advantage of reform to seek private gains and who violate laws and discipline. Regarding those who stick to old ways and who are good only at making indiscreet remarks, spreading rumors, and laying obstacles to reform rather than doing practical work, we should spare no time to carry out criticisms and education.

Developing lateral economic ties constitutes an important part of the reform of the economic structure. It will be of far-reaching impact to the exploitation of natural resources and rational use of funds, the circulation of commodities and establishment of a unified socialist market, technological progress and rational exchange of qualified personnel, rationalization of the economic structure and regional distribution, elimination of the barriers erected between regions and departments, and the reform of the economic structure and the socialist modernization program. Facts have proved that lateral economic ties can bring forth better results, productive forces, and qualified personnel which are beneficial to both sides and society.

Ningxia has done a great deal of work recently in developing lateral economic ties and has achieved fairly good results. We must keep abreast of the current situation, enthusiastically support the lateral economic ties of various forms, earnestly solve the problems arising from the work, and create favorable conditions in policies and laws for the development of lateral economic ties.

While developing lateral economic ties, we should adhere to the progress. As Ningxia's conditions are relatively poor in many fields, it is our common aspiration to invite investment, technology, equipment, and qualified personenl from other provinces and regions by means of lateral economic ties so as to rationally distribute the various production factors of enterprises and benefit them. However, as two parties are related in the development of lateral economic ties, we should not merely think of the petty, immediate advantages to ourselves or expect for big advantages immediately after developing lateral economic ties. We should take the overall situation into account, have our eyes on the future, adopt preferential and effective policies and measures, and vigorously develop lateral economic ties.

The 5 years' work depends on a good start in the first year. The year 1986 is the first year of the Seventh 5-Year Plan. From the very beginning of the plan, we should grasp our work firmly and in a down-to-earth manner and maintain the overall balance of the national economy so that the national economy will increase at an appropriate rate and will develop in a sustained, steady, and coordinated manner. We should think more of the difficulties and complicated matters, predict the problems that may arise, and work out counter measures to deal with them.

Agriculture is the foundation of the national economy. We must seriously implement central document No 1 and the spirit of the regional rural work conference and earnestly grasp this year's agricultural production. The various measures to increase production should be carried out to ensure the steady growth of grain production. We must further readjust the production setup, vigorously develop a diversified economy, and build well the bases for commodity production. We must help town and township enterprises solve their difficulties in information, funds, technology, and marketing and support and give impetus to the further development of town and township enterprises.

We must pay close attention to industrial production. It is necessary to further improve enterprise management, cut down production costs and consumption, improve the quality of products, solve the problems of shortage of raw materials and floating capital and of certain unsalable goods, and ensure the normal operation of production. We must continue to do well the work of turning deficits into profits. Regarding the enterprises whose economic results are poor and that have suffered deficits for a long time, the relevant departments should analyze the cases, find out the reason, fix the responsibilities in light of different circumstances, and give these enterprises a definite time to make up their deficits.

Efforts should be made to expand foreign trade and increase exports. We must further improve product quality and increase the variety and quantity of export goods. We must establish a production base for various export commodities centered on the Taixi coal mine and implement the policy of increasing exports and earn more foreign exchange so that this year's foreign exchange earned through exports will increase by a big margin.

II. Mountain Areas and Plans Should Help Each Other, Learn From Each Other's Strong Points to Offset Their Weaknesses, and Take the Road to Common Prosperity

It is the common desire of the people of all nationalities in Ningxia's mountain areas and plains to vigorously develop the region's national economy and realize the objective of "bringing about an upswing in Ningxia's economy" at an early date. Owing to historical and natural conditions, Ningxia's economic foundation has been weak, its efficiency poor, and its development uneven. In order to accelerate the development of Ningxia's national economy, the mountain areas and plains should help each other, learn from each other's strong points to offset their weaknesses, and take the road to common prosperity.

"Learning from each other's strong points to offset their weaknesses" means that both mountain areas and plains have their respective advantages and disadvantages. Proceeding from the actual situation, they should overcome the unfavorable conditions, develop their strong points, and break a new path for economic revitalization. "Mountain areas and plains should help each other" means that Ningxia's economy should be taken as a whole. As the mountain areas and plains are interdependent, they should unite and help each other forward. "Common prosperity" means that in the process leading to prosperity, some plains or mountain areas may become well-off before others. Those getting well-off earlier than others should support and help the poverty-stricken areas extricate themselves from poverty and gradually take the road to common prosperity.

The CPC Central Committee and the State Council have paid great attention to the people in Xihaigu area. The party organizations, people's congresses, and CPPCC at all levels in Ningxia have also attached great importance to the development of the mountain economy and improvement of the people's living standards. Over the past few years, we have adopted a series of policies and measures and have given support in finance, materials, manpower, and intellectual resources to help develop the economic and social undertakings in the mountain areas.

First, we have enacted correct principles for the construction of the mountain areas. Following the 3d Plenary Session of the 11th CPC Central Committee, the regional authorities put forward the following principle for construction in mountain areas: "Vigorously grow grass and plant trees, promote agriculture with animal husbandry, and develop agriculture, forestry, animal husbandry, and sideline occupation in an all-round way in line with local conditions." The principle for 1983 was "the plains and mountain areas should help each other" and for 1985, grow grass and plant trees and vigorously develop animal husbandry, animal by-products, and processing industry.

Second, we have implemented the policies and measures of giving preferential treatment, relaxing restrictions, and supporting the poor. For example, in 1980, the regional authorities enacted the policy of tax and purchase exemptions for 5 years; in 1984, there was a 13-point policy to help the poverty-stricken mountain areas extricate themselves from backwardness as quickly as possible; and the mountain areas in the south will be exempted from farm taxes for 5 years commencing 1985 and their animal husbandry taxes will also be reduced.

Third, financial support. Apart from the investment in capital construction and the operating expenses for agriculture, forestry, and animal husbandry, the state allocated special funds from 1979 to 1985 totaling over 470 million yuan to support the construction of mountain areas.

Fourth, a total of over 200 million yuan has been invested in the construction of the Tongxin pumping station project in Guhai which can irrigate an area of 500,000 mu and solve the problems of water for drinking and production purposes of 200,000 people.

Fifth, the building of joint-farms and outflow of labor. This is an important measure for supporting the poor. Since 1983, we have move and resettled more than 80,000 people and have set up 13 joint farms. This year we will continue to move another 30,000 people. The number of people moved during the Seventh 5-Year Plan period will total 220,000. A large population and surplus labor are the advantages of the mountain areas. By organizing educated youths of the mountain areas to work in factories, mines, transport units, building industry, service trades, and overseas projects, they can master technical knowledge as well as increase income.

Sixth, we have made investment in intellectual resources. We have enrolled students who are to return to their former units after graduation, lowered the marks required for enrollment, increased the number of students enrolled from mountain areas, set up primary and secondary boarding schools for the Hui people, run different kinds of training classes, and adopted various forms to train qualified people urgently needed by the mountain areas.

Seventh, we have supported the poverty-stricken areas with scientific and technological means. For example, the Xibei Water and Soil Conservation Institute, the Lanzhou Desert Institute, Xibei Agricultural College, Beijing Forestry Institute, Ningxia Agricultural College, and Ningxia Institute of Agricultural Science have established a number of scientific research units in the mountain areas to explore and popularize the methods and experience of maintaining ecological balance in mountain areas and developing the mountain economy.

Eighth, we have strengthened leadership over work in mountain areas and called on all trades and professions to support the mountain areas. The autonomous region has set up a leading organ specially for the construction of mountain areas and sent a number of young and middle aged cadres to work in the mountain counties. This year the regional authorities have again transferred 200 cadres to stay at the grassroots units to help the mountain areas extricate themselves from poverty and take the road to prosperity.

With the vigorous support of various quarters and the arduous efforts of the mountain people, gratifying changes have taken place in the mountain areas. In 1985, the total industrial and agricultural output value of the 8 mountain counties reached over 460 million yuan. Most of the localities attained the goal of "curbing destruction within 3 years" ahead of schedule and 80 percent of the peasants basically solved their food and clothing problems. Of the total, around 10 percent of the peasants became well-off. Furthermore, a number of typical examples of turning poverty into prosperity emerged which accumulated experience, illuminated the path, and enhanced the confidence in putting an end to backwardness in the mountain areas. Naturally, we should also be aware that the current conditions for production in mountain areas are still poor, some localities still have a serious shortage of drinking water, the average per capita income is yet too low, and around 20 percent of the peasants do not have enough to eat and wear. On the one hand, we should popularize the typical examples of turning poverty into prosperity in the mountain areas, and on the other hand, we should try by every means to solve the existing problems and sum up new experience.

We must adopt a realistic attitude and apply the stand, viewpoint, and method of dialectical materialism and historical materialism to analyze, understand, and solve the problems regarding mountain construction and the uneven economic development between mountain areas and plains.

First, the backwardness of the mountain areas is a consequence of various factors including historical and natural conditions. In order to put an end to such backwardness, the problem should be tackled in a fairly long period. As the mountain areas have difficulties greater than the plains, the former should put in a lot of painstaking work to follow the road to prosperity. Therefore, we should proceed from practice while taking the construction of the mountain areas into account. We should be aware of its arduousness and protracted nature and should adopt vigorous measures and work hard to speed up the development of the mountain areas and put an end to the backwardness as quickly as possible.

Second, it is necessary to correctly handle the relationship bewteen the construction of mountain areas and that of the plains. The mountain areas and plains are two different kinds of economic areas in which each has its own characteristics. Instead of following the same pattern in economic development, we should combine the development of the plains with the exploitation of the mountain areas, promote our work gradually from the plains to the mountain areas, and enable the mountain areas and plains to help each other forward. While developing Ningxia's economy, we should give priority to some specific areas. However, we should not mechanically carry out the construction of the areas one by one. Viewed from Ningxia's Seventh 5-Year Plan, most of the small projects are in the mountain areas, while the major projects are in the plains. This is determined by various factors including the law of nature and the commodity economy.

In accordance with the law of nature and the economy, we should guide action in light of circumstances, accelerate the development of the plains, exploit the mountain areas, make the most of the advantages of the plains and mountain areas, and promote Ningxia's economic prosperity.

Third, the central and regional authorities allocate a considerable amount of construction funds to the mountain areas every year. These funds should be properly managed and invested in construction projects and should bring about better economic returns. In the construction of the mountain areas, it is necessary to uphold the principle that integrates state aid with self reliance. First of all, we should invigorate the economy of mountain areas so that they can mainly rely on their own strength to accelerate their economic development. Secondly, we should mobilize and concentrate the forces of all fields to support the mountain areas.

Fourth, it is necessary to further strengthen leadership and adopt various effective measures to vigorously support the construction of the mountain areas. We should mobilize the forces of all fields to better serve the construction of the mountain areas. We should do a good job of the production, purchasing, and processing of farm and sideline products, unclog the circulation channels, strengthen information services, and particularly exploit intellectual resources and support the poverty-stricken areas by applying scientific and technological means. In accordance with the tradition and characteristics of each locality, we should run well town and township enterprises that need less investment and can bring about quick economic returns. The stress should be put on processing industry and service trades. The mountains areas and plains should develop lateral economic ties and learn from each other's strong points to offset their weaknesses. So long as we unite as one, work hard in a down-to-earth manner, make the most of mountain advantages, adopt flexible policies and measures, and maintain a practical style of work, we will certainly be able to put an end to the backwardness of the mountain areas and gradually lead the mountain areas in the south to prosperity.

III. Be Resolute, Make Great Efforts, and Earnestly Carry Out the Building of Socialist Spiritual Civilization

In order to strengthen the building of socialist spiritual civilization, it is necessary to effect a turn for the better in party style and general social mood. The central authorities are determined to correct the party style. We should follow the requirements of the central authorities and make strenuous efforts for 2 years to effect a fundamental turn for the better in party style. Following the meeting of 8,000 officials of the central organs, Ningxia has done a great deal of work and made new progress in correcting party style. We have basically curbed the unhealthy tendencies in 6 respects as pointed out in the circular issued by the General Offices of the CPC Central Committee and the State Council. While investigating and handling the major and important cases, we should overcome our weaknesses, stick to principles, and dare to tackle tough problems. We must do a good job of correcting party style among leading organs, leading cadres, and certain trades and develop the work of correcting party style in depth.

While correcting party style, we must never slacken our efforts to correct social general mood. One of the manifestations of the current unhealthy general social mood is "putting money above everything else." Some people become jealous and forget all moral principles at the sight of money. For the sake of petty profits, they are even willing to lower their dignity and sell their soul. This runs counter to the virtue of the Chinese nation and is incompatible with the communist ideology. A man should have some spirit. Even our forefathers had advocated "planning and worrying ahead of the people and enjoying the fruits after them," being impervious to the temptation of wealth and high positions, and dying for principles. In our socialist society today, we should have lofty ideals, carry forward the tradition and style of honesty, hard work, and plain living, wholeheartedly serve the people, and never become slaves of stinking money.

While we are putting the stress of work on correcting party style and general social mood, we should avoid the misunderstanding that party style and general social mood problems exist everywhere. It is the self-perfection of our party and socialist country to correct party style and general social mood. We should be aware that the main trend of the current party style and general social mood is healthy, that the majority of party members, cadres, masses, and children of cadres are good, and that positive factors occupy a dominant position. Only by looking at the situation in such a manner will it conform to a realistic, dialectical viewpoint and only by adhering to this point can we enhance our confidence in effecting a fundamental turn for the better in party style and general social mood.

It is necessary to vigorously strengthen ideological and political work according to the needs of the new situation. We should make efforts to conduct ideological and political work among the broad rank of cadres and strengthen people's ideological awareness. In recent years, large numbers of advanced units and exemplary figures have emerged on various fronts in Ningxia. We should publicize their advanced thinking and exemplary deeds so as to educate and encourage the people.

A high degree of socialist democracy and a perfect socialist legal system are the guarantee for carrying out the building of the four modernizations and the reform of the economic structure as well as for China's long-term stability. Leading cadres at all levels should clearly understand Comrade Deng Xiaoping's strategic guiding thinking on "grasping construction on the one hand and the legal system on the other" while carrying out the four modernizations, resolutely eliminate the tendencies that ignore the building of the legal system, and heighten the awareness of safeguarding the socialist legal system. It is necessary to make a careful study for the new problems arising in the new period and further establish and perfect the various laws and regulations. We must popularize knowledge on law throughout society so that everyone will known, understand, and abide by the laws. Party cadres and members should take the lead in studying and abiding by the Constitution and laws. They should never try to substitute their views or power for law or overstep their authority to interfere in the judicial activities of the political and legal organs.

Following the struggle to sternly attack criminal offenses and measures taken to maintain social order, the number of criminal cases in Ningxia has gradually declined and social order has improved remarkably. However, economic crimes and robbery cases have increased recently due to the loopholes in public security work within certain enterprises, factories, and instructions. All units should take precautions and establish and perfect the contracted responsibility system in public security work so as to maintain overall social order. We must continue to sternly punish the serious criminal offenders according to law and investigate and deal with the various economic criminal activities. Whoever is involved should be investigated and dealt with according to the seriousness of the case. We must puncture the arrogance of economic crime so as to ensure the smooth progress of reform and construction.

Vigorously developing education, raising the nation's level of science and culture, and training qualified people for socialist [words indistinct] are the important elements in building spiritual civilization. We cannot speak civilization without culture and construction without qualified people. Comrade Deng Xiaoping said: "The key to the success or failure of reform lies in discovering the promoting qualified people." We cannot train qualified people without education. Therefore, we must increase investment in intellectual resources, develop different kinds of educational undertakings at various levels, use modern scientific and cultural knowledge to arm the people and enrich and raise their cultural accomplishment and realm of thought, and speed up the training of a generation of new socialist people with lofty ideals, morality, education, and a sense of discipline. We should cherish qualified people and adopt appropriate measures to train, select, and use them so that our era will become one in which people of talent will constantly come forth in large numbers.

IV. Carry Forward the Spirti of the Foolish Old Man and Make Contributions to the Fulfillment of the Seventh 5-Year Plan

The Seventh 5-Year Plan peiod is a crucial, golden period. It is a "crucial period" because the work during this period is related to whether China's economic development strategy and economic system will further change from the old pattern to a new one and basically lay the foundation for a new socialist economic system with Chinese characteristics; whether we can store up strength for the economic upswing during the 1990's and the continuous social development thereafter; and whether the quadrupling of the total industrial and agricultural output value and the strategic objective of "bringing about an upswing in Ningxia's economy" will be realized by the end of the century with assurance. It is a "golden period" because the current political and economic situation is excellent; the principles and policies of the party and state are well-coordinated and becoming perfect with each passing day; the people are living and working in peace and contentment and are fully confident in the future of the state; Ningxia's political and economic situation was excellent during the Sixth 5-Year Plan period; the fulfillment of the Sixth 5-Year Plan laid solid material strength for the economic development during the Seventh 5-Year Plan period; and the peaceful international environment is extremely favorable to us. We must seize this opportune moment, mobilize the people of all nationalities throughout the region, carry forward the spirit of the foolish old man, and make contributions to the fulfillment of the Seventh 5-Year Plan.

The spirit of the foolish old man means working indomitably and steadfastly, advancing despite difficulties, and fighting unremittingly until we reach our goal. It is the valuable spiritual wealth of the Chinese nation and the fine tradition of our revolutionary ranks. During the war years, thousands upon thousands of revolutionary martyrs advanced bravely and overthrew the Three Big Mountains with the spirit of the foolish old man and under the leadership of our party. Today, in order to realize the grand objective enumerated in the Seventh 5-Year Plan and build China into a powerful, modern socialist country, we should carry forward the spirit of the foolish old man in a wider range. We should carry forward the spirit of the foolish old man in our minds as well as actions rather than pay lip service or engage in idle theorizing.

To carry forward the spirit of the foolish old man means relying on our own strength and working hard and energetically for the prosperity of the country. While fulfilling the tasks of the Seventh 5-Year Plan, all localities and units may encounter difficulties of every description. We must press forward in the face of difficulties, take the subjective initiative and creativity, rely on our own strength, and try by every means to overcome the difficulties. While on duty, each person should do his utmost to fulfill his obligation, be the first to bear hardships and the last to enjoy comforts, give no thought to personal gains or losses, and contribute his all to our great cause. You comrades here should take the lead in fulfilling the tasks of the Seventh 5-Year Plan. You are the backbone forces of various departments on all fronts. The party and people have placed great hopes on you. You should realize the heavy responsibilities you have undertaken. With a sense of responsibility to the party and people, you should promptly express the demands and will of the people, give full play to the role of democratic supervision, and use your exemplary deeds to influence the people and encourage them to devote themselves to reform and contribute to the four modernizations. The party members among the people's congress delegates and CPPCC members have twofold responsibilities. They should set strict demands on themselves, take the lead in publicizing the party's line, principles, and policies, conscientiously observe state laws and decrees, and play an exemplary role in every aspect.

To carry forward the spirit of the foolish old man means to adopt a realistic attitude and solid work style, do more work rather than indulge in empty talk, and wholeheartedly serve the people. We should adopt a new pose, take on a new look, and play in turn to adapt ourselves to the new tasks in the new period. Leading organs and cadres at all levels should combine their fervent revolutionary enthusiasm and serious scientific attitude with a responsible, realistic spirit, proceed in everyting from practice, and act according to the objective law. They should get rid of bureaucratism, forsake the "yamen" work style, cater to the needs of the grassroots units, serve the masses, make thorough investigations and studies, and solve practical problems. They should have a boundless sense of responsibility in their work, never dispute over trifles or shift responsibility onto others, increase efficiency, and improve the quality of their work. They should seriously study Marxism-Leninism-Mao Zedong Thought, acquire scientific knowledge, constantly improve their ideological, educational, and professional quality, enhance the foresight, systematicness, and scientific nature of their work, forsake a dependent mentality and sticking to old ways and conventions, work with initiative, and create a new situation in all fields of endeavor. The people's congress is the organ of state power which performs the function of supervision over the state administrative organs. It plays an extremely important role in realizing socialist democracy and ensuring that the people are masters of the country. The CPPCC is a patriotic united front organization and a place with a galaxy of talent. It performs the function of political consultation and democratic supervision over the major principles and policies of the state. The people's congress and CPPCC at all levels throughout Ningxia have effectively performed their functions and made outstanding contributions in many fields. In accordance with the needs of the new situation, we should do our work vigorously and play a greater role in developing socialist democracy, exercising supervision, and promoting the building of spiritual and material civilizations.

In order to carry forward the spirit of the foolish old man, we should think and work with one heart and one mind, unite and cooperate with each other, pool the wisdom and efforts of the masses, and accomplish the tasks with an indomitable spirit. To fulfill the Seventh 5-Year Plan and realize the objective of bringing about an upswing in Ningxia's economy are the general interests of the whole region and the common aspiration of the people of all nationalities in Ningxia. Each locality, department, unit, and comrade should take the overall situation in to account, put partial and local interests under those of the whole, take concerted action, help and support each other, learn from each other's strong points to offset their weakensses, and advance side by side. It is necessary to resolutely resist and combat liberalism politically, individualism ideologically, and departmentalism in work. We must strengthen unity of various quarters, resolutely fight against the ideas and deeds that disrupt unity and affect the overall situation, consolidate and develop the political situation characterized by stability and unity, and create a fine social environment for the fulfillment of the Seventh 5-Year Plan.

Comrades, we have drafted the grand plan and sounded the bugle. With arduous efforts made in the next 5 years, I believe that a greater change will take place in Ningxia's economic and social outlook. Let us unite as one, make concerted efforts, carry forward the spirit of the foolish old man, and work indomitably and in a down-to-earth manner to triumphantly fulfill the Seventh 5-Year Plan.

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NINGXIA FIFTH PEOPLE'S CONGRESS SESSION CONCLUDES

HK140734 Yinchuan NINGXIA RIBAO in Chinese 30 Apr 86 p 1

[Report: "Fourth Session of Fifth Regional People's Congress Concludes"]

[Text] The 8-day fourth session of the 5th regional people's congress successfully concluded yesterday afternoon at the Ningxia Workers' Cultural Palace after fulfilling the prepared agenda.

The session urged the region's people of various nationalities to be dedicated heart and soul to the same course and be united under the leadership of the regional CPC committee and the regional people's government. They should carry forward the spirit of the Foolish Old Man who removed the mountains and actively take part in the great undertaking of the Seventh 5-Year Plan, so as to accomplish successfully the region's "Seventh 5-Year Plan" as well as to achieve the aim of "invigorating Ningxia" and other goals by the turn of this century.

The chairmen of yesterday's meeting were Li Xuezhi, Ma Qingnian, Hao Tingzao, Shen Xiaozeng, Liu Guofan, Xue Hongfu, Li Yunhe, Ma Youde, Ding Yimin, Li Shumin, Guo Wenju, Liang Feibiao, Feng Mao and Liu Xueji.

The closing ceremony was presided over by Ma Qingnian, executive chairman of the session.

The session adopted the resolution on the region's Seventh 5-Year Plan and the report on the Seventh 5-Year Plan; adopted the resolution on the region's 1986 national economic and social development plans; adopted the resolution on the region's 1985 final accounts and 1986 budget; adopted the resolution on the work report of the 5th regional people's congress standing committee; adopted the resolution on the work report of the regional people's higher court; and adopted the resolution on the work report of the regional people's procuratorate.

Moreover, yesterday's meeting acted on the proposal of the session's chairman and held a by-election in which Li Yunqiao [2621 0061 0829], Tian Ruixiang [3944 3843 4382], Ha Guilian [0761 6311 1670], and Ma Qixing [7456 0796 2450] were appointed as standing committee members of the 5th regional people's congress.

Then, Li Xuezhi, secretary of the regional CPC committee, delivered a speech at the meeting. (Excerpts of the speech is published in another article.)

At about 1600, the session completed the agenda. Ma Qingnian announced the successful conclusion of the 4th session of the 5th regional people's congress.

Also seated on the rostrum at yesterday's meeting were responsible people of the regional CPC committee, the advisory committee of the regional CPC committee, the discipline inspection of the regional CPC committee, the regional people's government, Ningxia Military District, the regional people's higher court, the regional people's procuratorate, the regional CPPCC and democratic parties; non-party democratic people; and retired old cadres: Hei Boli, Ma Sizhong, Cai Zhulin, Bai Zhenhua, Ma Yingliang, Jiang Guangdong, When Li, Ma Tengai, Yang Huiyun, Xia Siping, Wang Huan-min, Liu Desheng [0491 1795 0524], Zhang Shiru [1728 0099 0320], Ma Zhao, Lei Qilin, Chen Jingbo, Ma Likai, Zhang Yuan, Ma Liesun, Yang Yuchun, Yang Xin, Ma Dezong, Zhang Junxian, Lu Ming [7773 7686], Peng Linbai, Yang Zhengxi [2799 2973 9823], and so on.

All members of the fourth regional CPPCC who attended the fourth session attended yesterday's meeting.

The closing ceremony was also attended by responsible people of the regional departments concerned. PLA units attached to the Ningxian Military District and the regional armed police force.

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SHANDONG PEOPLE'S CONGRESS SESSION OPENS

SK110303 Jinan Shandong Provincial Service in Mandarin 2200 GMT 10 May 86

[Excerpts] The Fourth Session of the Sixth Shandong Provincial People's Congress opened ceremoniously at Jinan's Shenzhuquan Auditorium at 0830 on 10 May. Li Zhen, executive member of the presidium of the session, presided over the opening ceremony.

[Begin Li recording] The Fourth Session of the Sixth Sandong Provincial People's Congress is now open. The actual number of deputies of this people's congress is 1,035. A total of 136 have asked for leave, including sick leave, attending today's session are 899 deputies, which is a quorum. Liao Hansheng, vice chairman of the NPC Standing Committee, who is now conducting an inspection tour in our province, is also attending today's session. We extend our warm welcome to him. [applause] We also extend warm welcome to Comrades (?Wang Fu), and [name indistinct], deputies to the Sixth NPC elected by our province, and standing committee members of the NPC, who are invited to today's session. [applause] Now we will call upon Governor Li Changan to give a report on the Draft Seventh 5-Year Plan for Shandong Provincial Economic and Social Development. [applause] [End recording]

Governor Li Changan's report is composed of four parts: 1) a solid foundation for the economic and social development of the Seventh 5-Year Plan period laid by the successful fulfillment of the Sixth 5-Year Plan; 2) the guiding ideology, fighting goals, and major tasks for the economic and social development of the Seventh 5-Year Plan period; 3) the key to guarantee the smooth implementation of the Seventh 5-Year Plan; and 4) the building of government organs during the Seventh 5-Year Plan period.

Pther executive members of the presidium present at the opening ceremony included Liang Buting, Jiang Chunyun, Li Zhen, Xiao Han, Xu Leijian, Gao Fengwu, Zhang Zhusheng, Xu Jianchun, and Lin Ping. Attending as nonvoting delegates were members to the fourth session of the fifth provincial CPPCC committee; responsible persons of the various work departments subordinate to the provincial people's government; responsible persons of the various departments, committees, and offices of the provincial CPC committee; deputy secretary general of the provincial people's congress standing committee; deputy director of the general office of the provincial people's congress standing committee; vice president of the provincial higher people's court; and deputy chief procurator of the provincial people's procuratorate.

On the afternoon of 10 May, the fourth session of the sixth provincial people's congress held its second plenary meeting at the Zhenzhuquan Auditorium. Xiao Han, executive member of the presidium, presided over the meeting. Wang Xin, chairman of the provincial planning committee, delivered a report on the draft plan for the Shandong provincial national economic and social development for 1986. Guo Changcai, director of the provincial finance department, delivered a report on the Shandong provincial 1985 final accounts, and the draft 1986 budget.

Beginning 11 May, the session will hold group discussions for 4 days on the reports given by Governor Li Changan, Chairman Wang Xin, and Director Guo Changcai.

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SHANDONG CONGRESS SESSION PRESIDIUM HOLDS SECOND MEETING

SK180817 Jinan Shandong Provincial Service in Mandarin 2200 GMT 17 May 86

[Text] On the morning of 17 May, the presidium of the fourth session of the sixth provincial people's congress held its second meeting at the Nanjiao Guesthouse Club. The meeting unanimously approved the electoral method of the fourth session as well as heard and approved the report given by the motions examination committee with regard to motions disposition, and the report given by the budget committee with regard to the 1985 final accounts and the 1986 draft budget plan.

As of 1700 on 13 May, participating deputies at the session submitted 81 motions. After examination of the motions, the motions examination committee regarded 7 motions that will be dealt with after the session and 74 motions as proposals and advisory opinions.

The meeting agreed with the resignation application of a number of leading personnel and the namelist for the candidates of successors to these leading personnel to be submitted to the deputies for deliberation and consultation. The meeting agreed with the six draft resolutions on the provincial Seventh 5-Year Plan, the report on the Seventh 5-Year Plan, and on others to be submitted to the deputies for discussion.

Jiang Chunyun, executive member of the session's presidium, presided over the meeting. Also attending the meeting were executive members of the presidium, including Li Zhen, Xiao Han, Xu Leijian, Gao Fengwu, Zhang Zhusheng, and Xu Jianchun.

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SHANDONG PEOPLE'S CONGRESS STANDING COMMITTEE MEETING ENDS

SK071314 Jinan Shandong Provincial Service in Mandarin 2200 GMT 6 May 86

[Text] The 19th standing committee meeting of the 6th provincial people's congress concluded on 6 May. At the plenum of the meeting on the morning of 6 May, members approved the resolution on correctly implementing the state law and regulations concerning tax revenues and on enhancing the work of tax revenues, the namelist for the personnel readjustment of the credentials committee, and the resolution on personnel changes.

The meeting also approved in principle the work report given by the provincial people's congress standing committee, which will be submitted to the fourth session of the sixth provincial people's congress for approval; the namelist for the candidates of the presidium and secretary general to the fourth session of the sixth provincial people's congress, which will be submitted for election to the preparatory meeting for the fourth session; and the draft namelist for the personnel readjustment of the motions examination and budget committees.

Gao Fengwu, vice chairman of the provincial people's congress standing committee, presided over the meeting. Attending the meeting were Li Zhen, chairman of the provincial people's congress standing committee; and Xiao Han, Zhang Zhusheng, and Xu Jianchun, vice chairmen of the provincial people's congress standing committee.

Attending the meeting as observers were Lu Hong, vice governor of the province, and responsible comrades from the provincial higher people's court, the provincial people's procuratorate, the departments concerned under the provincial people's government, and from the people's congress standing committee of the provincial-level cities.

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SHANXI GOVERNOR ASSESSES SIXTH 5-YEAR PLAN ACHIEVEMENTS

Reports on Seventh 5-Year Plan

HK090121 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 8 May 86

[Excerpts] Governor Wang Senhao said in his report on ths draft Seventh 5-Year Plan that great success was achieved in reform of the rural economic structure in Shanxi during the Sixth 5-Year Plan.

He said: Total rural social output value in 1985 reached 14,378,000,000 yuan, an increase of (110) percent over 1980, having risen at an annual average of 16.9 percent. Average annual grain production during the Sixth 5-Year Plan was 8,101,000 tons, compared with 7,227,000 tons during the Fifth 5-Year Plan, a rise of 12.1 percent. Average annual output of cotton and oilbearing crops also showed relatively great increases. The province's wheat output in 1985 was 2.95 million tons, a rise of 150 percent over 1980. The amount of wheat available per persons reached 112.5 kilograms.

While crop cultivation developed, forestry, animal husbandry, and rural industry and sideline occupations also developed very quickly. The forest cover rose from 10.2 percent to 13.8 percent. Total income of the township enterprises in 1985 was 85. billion yuan, double the figure for 1980. The number of people working in these enterprises was 2.15 million, accounting for 28 percent of the rural labor force.

He pointed out: The province achieved relatively rapid development in education and science an education during the Sixth 5-Year Plan. During the 5 years the province spent 3.61 billion yuan on education, science and technology, culture, public health, sports, and so on. This represented 28.2 percent of total spending during the period, and showed an increase of 117.5 percent compared with the Fifth 5-Year Plan. Spending on education amounted to 2.06 billion yuan, 116.8 percent more than during the Fifth 5-Year Plan. Investment in capital construction for education was 601 million yuan, 350 percent more than during the Fifth 5-Year Plan. The percentage of school-age children attending school and the consolidated percentage respectively reached 98.5 and 98.6. Thirty-seven counties and cities now have universal primary education.

Notes Improved Living Standards

HK110159 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 10 May 86

[Summary from poor reception] Governor Wang Senhao said in his report to the provincial people's congress session that there was a marked improvement in urban and rural living standards during the Sixth 5-Year Plan. Net peasant incomes more than doubled, while workers' wages rose at an annual rate of 7.7 percent. Jobs were found for some 600,000 people in the towns. Disposable income of urban families rose from 365.6 yuan in 1980 to over 560 yuan in 1985. Urban and rural savings deposits reached 5.29 billion yuan in 1985.

He said: Urban and rural incomes will grow further during the Seventh 5-Year Plan. Some 1.47 million people in the towns should be placed in jobs. Some 10 million square meters of workers' housing will be built. Urban infrastructural construction will be stepped up, and the environment improved.

Governor Wang Senhao said the province must continue to open up to the world, expand foreign trade, and use more foreign investment during the Seventh 5-Year Plan.

The governor said: "We must resolutely implement the basic national strategy on family planning during the Seventh 5-Year Plan and strictly control population growth. The natural population growth rate should be kept below 10.9 per 1,000 during the period of the plan. The province's population should not exceed 27.63 million by 1990."

On the energy question, Governor Wang Senhao said that the province will ship out to the rest of the country 980 million tons of coal during the Seventh 5-Year Plan. He said: The state attaches great importance to the development and construction of an energy base centered on Shanxi. By 1990, the province's coal output will reach 270 million tons, 27 percent of the national output. Railroad capacity for shipping coal out of the province will exceed 300 million tons a year. Annual power generation will exceed 30 billion kilowatt hours.

Links Better Management, Economic Results

HK120221 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 11 May 86

[Excerpts] Governor Wang Senhao pointed out in his report on the draft of the Seventh 5-Year Plan that correctly handling the relationship between growth rate and economic results and regarding the improvement of economic results as the cardinal link in all economic work constitutes one of the principles and policies that must be implemented very well during the period of the plan.

He said: The province's economic growth rate during the Seventh 5-Year Plan should be a bit lower than the actual fiture for the Sixth 5-Year Plan.

This arrangement will help us to focus on improving economic results and to avoid excessive tension in economic relations. We can thus ensure the smooth progress of reform.

Wang Senhao stressed: The key to improving economic results lies in improving and modernizing enterprise management. In the future, in judging an enterprise's operational performance, we cannot just look at its output and output value but must make an overall examination of its output, output value, product variety, quality, input, production costs, and capital turnaround. In particular, we must regard developing new products, improving product quality, and lowering energy and raw material input as the focal points in improving economic results.

Governor Wang Senhao stressed in his report: During the Seventh 5-Year Plan, we must unswervingly assign to an important strategic position education and science and technology, step up our efforts to exploit brainpower, and promote technological progress.

He said: During the Seventh 5-Year Plan, the growth in spending on education must be higher than the growth in regular financial revenue. Average spending per student should increase gradually. We should also encourage and guide enterprises, collectives, popular organizations, and various social sectors to operate a variety of educational undertakings. We must introduce the 9-year compulsory education by stages and steps during the period of the plan, and also continue to readjust the structure of secondary education. By 1990, the number of students in vocational and technical senior secondary schools should be about equal to the number in ordinary senior secondary schools.

Efforts to develop tertiary education should be focused on tapping the potentials of the old schools. We should lay stress on developing various specialities. We should straighten out and improve adult tertiary education and continue to promote worker training. We should encourage people to become talented through self-study.

Science and technology work should continue to apply the principle of serving the province's economic construction, first serving the technological transformation of key enterprises.

Governor Wang Senhao said: In the past 5 years, while building socialist material civilization, we have paid attention to and stepped up the building of spiritual civilization.

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SHANXI PEOPLE'S CONGRESS SESSION CONCLUDES

HK170125 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 16 May 86

[Excerpts] The fourth session of the Sixth Shanxi Provincial People's Congress concluded in the Hubin Hall in Taiyuan on 16 May. The executive chairmen at the closing ceremony were Ruan Bosheng, Huo Fan, Wang Tingdong, Feng Sutao, Ma Guishu, Jiang Yi, Zhang Jianmin, Hui Yuyu, Wang Wenzhang, and Wang Xi. Also present were Wang Senhao, Wang Jiangong, Bai Qingcai, Lu Gongxun, Wang Maolin, Zhang Weiqing, Zhang Bangyi, Yi Honglin, Wang Kewen, Jia Jun, Hu Xiaoqin, Yan Wuhong, Guo Yuhuai, Li Xiuren, Zhu Weihua, Wang Xiujin, Ling Daxi, Yang Mingbao, Shi Xingsan, and others.

The session approved by show of hands resolutions on the province's Seventh 5-Year Plan; on the national economic and social development plan for 1986; on the1985 final accounts and 1986 budget; on regulations on implementing the law on compulsory education; on regulations on the organization of city, county, and district people's congresses; and on accepting the resignation requests of Wang Xi, vice chairman of the provincial people's congress standing committee, and Zhang Weiqing, vice governor. The session elected (Feng Zhimao) as replacement vice governor and (Liu Yao) as a replacement member of the provincial people's congress standing committee.

The session also adopted resolutions approving the report of vice chairman Huo Fan on the work of the provincial people's congress standing committee; the report of court president Zhao Yaoren on the work of the provincial higher people's court; and the report of chief procurator Liu Yanqing on the work of the provincial procuratorate.

The session's resolution on Governor Wang Senhao's report on the draft of the province's Seventh 5-Year Plan pointed out that during the period of the plan the province should focus on energy, communications, education, science, and technology, technological transformation, environmental and ecological protection, and on helping poor areas to transform themselves. Hence, it is essential to handle correctly the relationship between growth rate and economic results. We must maintain an appropriate growth rate under the premise of improving economic results, strictly control investment in fixed assets, concentrate forces to ensure key construction projects, and carry out technological transformation of existin enterprises. We must ensure steady growth in grain production while actively promoting diversified undertakings and township enterprises, and further invigorate the rural economy.

Focusing on building the province's energy, heavy, and chemical industry bases, we must [words indistinct] job in coal processing and conversion, rationally readjust the production structure and product mix, uphold the principle of opening up to the world, increase our ability to increase foreign exchange earnings from exports, and expand external economic and technological cooperation. We must persevere in assigning an important strategic position to education, science, and technology.

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SICHUAN PEOPLE'S CONGRESS HOLDS PLENARY SESSION

HK051518 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 4 May 86

[Excerpts] This morning the fourth session of the sixth provincial people's congress held its third plenary meeting. The participants listened to explanations given by provincial Vice Governor Kang Zhenhuang on the revised draft of provincial regulations on the implementation of compulsory education, a work report by Meng Dongbo, vice chairman of the provincial people's congress standing committee, and a work report by Ren Lingyun, president of the provincial higher people's court; adopted two decisions on accepting Qin Chuanhou's resignation as vice chairman of the provincial people's congress standing committee, (Huang Wenruo's) resignation as member of the provincial people's congress standing committee, and Liu Chunfu's resignation as provincial vice governor; and adopted election methods in the current session.

The meeting was presided over by Ji Chunguang, executive chairman of the session. Some 1,286 delegates attended the meeting.

Meng Dongbo, vice chairman of the provincial people's congress standing committee, gave a report on the work done by the standing committee since the third plenary session of the sixth provincial people's congress.

In his work report to the meeting, Ren Lingyun, president of the provincial higher people's court, said that all people's courts in the province have further straightened out their guiding thought, carried out judicial activities in an all-round way, actively served the party's general target and task, and have done quite a lot of work. They have hit hard at serious criminal activities, further promoted improvement of public order, stability of the society, severely punished serious economic criminals, and ensured smooth progress of the economic structural reform and the four modernizations.

In his work report to the meeting, Gao Zhenzhong, chief procurator of the provincial people's procuratorate, said that over the past year, the procuratorates in the province have given full play to the supervisory role of law, hit hard at serious economic crimes and criminal activities, and made much progress in all procuratorary work, playing a good role in protecting the people, striking enemies, punishing criminal elements, and serving the four modernizations.

Also acting as executive chairman of today's meeting were Liu Xilin, Deng Zili, Wang Yanli, (Lin Yin), (Wang Runfu), (Chen Ji), (Chi Jisha), (Pan Zhijiu), (He Zhikuan), (Luo Kewen), (Yuan Shuji), (Yao Kehua), (Yao Jinying), and (Wu Xiaoguang). Provincial CPC committee Secretary Yang Ruadi, who has just returned to Chengdu from another province, attended today's meeting.

At the third meeting held by the fourth plenary session of the sixth provincial people's congress, provincial Vice Governor Kang Zhenhuang explained the revised draft of provincial regulations on implementation of compulsory education. He stressed that making compulsory education universal is a foundation and indication of modern civilization, as well as a strategic task concerning the upgrading of the quality of the Chinese nation and the prosperity and development of our country.

Vice Governor Kang Zhenhuang further explained the nature of compulsory education--the number of years and the school system for compulsory education, the age of those enjoying compulsory education, upgrading the quality of compulsory education, plans and arrangements for implementing compulsory education, and the management system, funds, and school conditions of compulsory education.

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TIANJIN CONGRESS STANDING COMMITTEE ISSUES WORK REPORT

SK151230 Tianjin TIANJIN RIBAO in Chinese 1 May 86 p 3

[Work report by Bai Hua, vice chairman of the Tianjin Municipal People's Congress Standing Committee, at the 5th session of the 10th municipal People's Congress on 26 April 1986]

[Excerpts] Fellow deputies:

Entrusted by the municipal people's congress standing committee, I would like to deliver a report for approval with regard to the work done by the standing committee in the period since the 3d session of the 10th municipal people's congress.

Over the past year, the standing committee has achieved new progress in the work of formulating local regulations and rules, carrying out legal and work supervision, and bringing into play the role of deputies throughout the municipality, in line with the general demand of building socialism reflecting Chinese characteristics, the general guideline of enforcing the open policy to the outside in order to enliven the domestic economy, and the practical need of building socialist material and spiritual civilizations throughout the municipality; and in line with the major tasks of developing socialist democracy, improving socialist legal systems, actively conducting exploration, pioneering the road of advance, and earnestly exercising its function and power imposed by the Constitution and the law.

I

Formulating local regulations and rules constitutes an important duty of the standing committee. Over the past year, the standing committee has persistently put the work of formulating local regulations and rules, particularly mapping out local economic regulations and rules, on the first place in its work schedule.

In order to meet the need of the new situation prevailing in conducting reforms in economic systems and enforcing the open policy to the outside throughout the municipality, in July 1985 the standing committee formulated and issued the "provisions" with regard to the management of the municipal economic and technical development zone, the "regulations and rules" with regard to the enterprise registration management in the municipal economic and technical development zone, the "provisions" with regard to the labor management in the municipal economic and technical development zone, and the "provisions" with regard to the land management in the municipal economic and technical development zone. All of these are the first regulations and rules formulated by the standing committee, which are connected with the economic affairs of foreign countries, and are the first set of regulations and rules for the municipal economic and technical development zone.

The standing committee has paid attention to continuously improving working systems and legal procedure in practice. In order to upgrade the quality of meetings sponsored by the standing committee, in November 1985 the standing committee formulated the "provisions" with regard to the meeting systems of the municipal people's congress standing committee, in which there were stipulations on making preparation and committee meetings' procedures for examining motions, and on implementing resolutions and decisions. The formulation and enforcement of these stipulations contribute to improving the democratic system of the standing committee and ensuring that the staff of the standing committee to fully exercise their duty and power.

In line with the motions offered by the deputies at the 3d session of the 10th municipal people's congress, the standing committee coordinated with the departments concerned to continuously formulate the draft regulations and and rules with regard to the protection of legal rights and interest of these enterprises. They also offered their opinions after carrying out investigation and studies with regard to revising the contents of the local regulations and rules on urban construction and environment protection.

In conducting the work of formulating local regulations and rules, the standing committee has implemented the principle of "adopting an active attitude toward work, meeting practical needs, adopting feasible ways, and making use of the mature conditions," and has paid attention to the following three tasks: 1. Proceeding from the urgent need of building legal systems throughout the municipality and on the premise of eliminating the conflict among the Constitution, the law, and the administrative regulations and rules, the standing committee has made efforts to pioneer new roads, to boldly engage in practice, and to actively formulate the local regulations and rules concerned. 2. The standing committee has made concerted efforts with the departments concerned in order to help each other forward. 3. The standing committee has held matured discussed on these regulations and rules before they have been formulated.

The standing committee has strengthened the work of soliciting opinions on formulating the state draft law. Since 1985, it has placed the work on the agenda of meetings participated by chairman and vice chairmen of the standing committee.

II

Conducting supervision over the work done by the municipal people's government, the municipal people's courts, and the municipal people's procuratorates constitutes an important function and power imposed by the law on the local organs of state power. Over the past year, the standing committee has conducted supervision over the implementation of the law and the regulations and rules and carried out work supervisions by hearing or examining the work reports, organizing members and deputies to conduct inspections and to carry out investigation to cope with specific problems.

The key to enhancing the building of socialist legal systems lies in abiding by the law as long as it exists. Therefore, the standing committee has carried out supervisions in a planned manner over the implementation of the state law and the local regulations and rules in order to cope with the specific problems, and has regarded as a work emphasis the supervision over the implementation of economic law, regulations, and rules.

In addition to the supervision over the implementation of economic law, regulations, and rules, the standing committee has also conducted inspections in line with the necessity over the implementation of other laws, regulations, and rules.

Carrying out supervision over the work done by the municipal people's government, the municipal people's court, and the municipal people's procuratorate is not only the important aspect of the local organs of state power in exercising their function and power, but also provides powerful support to the executive and judicial organs. The standing committee has strengthened the supervision over the work done by various circles in carrying out investigation, inquiry, and examination over the major problems cropping up in the program of building socialist material and spiritual civilizations, which are most concerned by the masses.

In the financial and economic aspects, the standing committee has paid close attention to the new situation and problems cropping up in the drive to conduct reforms throughout the municipality.

In the aspect of political science and law, the standing committee has strengthened the supervision over the work done by the judicial and public security organs in paying attention to the struggle against economic crimes and the trial work of civil cases.

In the aspect of urban construction, the standing committee has strengthened the supervision over the work done in the major projects made under the municipal overall plan of building Tianjin into a new beautiful, clean, and modern city with developed amenities.

In the aspects of education and public health, the standing committee has constantly regarded education, particularly general education, as its central work.

The standing committee has also paid great attention to the work of dealing with the petition letters and visits of deputies and the masses. As of the end of March this year, the standing committee received 1,422 visitors and dealt with 2,195 letters. It also paid attention to selecting some typical cases and charges from the visits and letters to immediately inform the departments concerned for disposition, in which the standing committee realized its supervision over the state apparatus and their working personnel.

In carrying out supervisions over various work mentioned above, the standing committee has also done a good job in grasping the following four tasks: 1. Efforts have been made to select problems for supervision in a planned manner and by focusing on the key problems. It has chiefly dealt with the major problems that are most concerned by the masses, have profound influence, and are possible to be solved. 2. Efforts have been made to fully acknowledge the correct experience gained by the executive and judicial organs, to offer its opinions for solving the exposed problems, and to resolutely correct the mistakes violating the law. 3. Efforts have been made to fully develop democracy and to respect the duty and power of deputies throughout the municipality. In the course of conducting supervisions, the standing committee has organized the deputies to study relevant laws, regulations, and rules; provided for them the reports on relevant situations and the necessary materials; and has solicited opinions from the deputies in order to relay them to the departments concerned for disposition. 4. Efforts have been made to regard the materials gained in investigation and studies as a foundation for carrying out the supervisory work. Prior to hearing work reports and making an inspection tour, the standing committee has delved into reality for carrying out investigation in order to obtain first hand materials, to learn about both good and bad typical cases, and to upgrade the efficiency of the supervisory work.

III

The important work of the standing committee is to establish a close tie with deputies throughout the municipality and to bring their role into full play. The standing committee has regarded the work as an important task for developing socialist democracy and improving the system of the people's congress and has enhanced the research and exploration of the work. Over the past year, it has emphatically carried out the following three tasks:

1. The standing committee has manufactured and issued the certificates of deputies for their working activities in supervisions and inspections. In order to make it convenient for deputies to perform their duty and power imposed by the Constitution and the law, to help the municipal people's government push its work forward, and to better relay the people's opinions and demands to the state apparatus, it manufactured and issued the certificates of deputies on 15 October 1985 after the longer deliberations and consultations.

2. The standing committee has held forums participated in by the deputies. Since 1983 it has held a larger-scale forum annually with the direct

participation of the municipality's mayor who can hear the opinions and hold discussions with the deputies on the grand plan for building the four modernizations.

3. The standing committee has earnestly dealt with the motions, proposals, criticism, and opinions offered by the deputies.

Over the past year, the standing committee has continuously enhanced its ties with the district and county people's congress standing committees. Each meeting of the standing committee has invited as observers the responsible persons of the district and county people's congress standing committees and has paid attention to listening to their opinions and demands. Some responsible persons in the standing committee have gone to some district and country people's congress standing committees to exchange work experiences and to solicit their experience gained in work. In February this year the standing committee invited the comrades of the district and county people's congress standing committees to exchange the experience gained by the financial and economic commissions (offices) under these standing committees. All of the activities have played a favorable role in exploring the law of the work done by the local organs of state power and in upgrading their work quality.

Since the 3d session of the 10th municipal people's congress, the standing committee has earnestly exercised its duty and power in approving the personnel changes of the state apparatus. In line with the law, it has approved the appointments and dismissals of 116 personnel. Of these staffers, 4 are of the municipal people's congress standing committee; 42, of the municipal people's government; 51, of the municipal people's courts; and 19, of the municipal people's procuratorates.

The standing committee has carried out friendly activities with the assemblies and parliaments of foreign cities. In November 1985 it received the goodwill visiting group of the Osaka City Representative Assembly, Japan, which was headed by Tanaka Kisaburo, speaker of the city assembly.

Over the past year, the standing committee has done a great deal of work and scored certain achievements. Meanwhile, there have been a large number of shortcomings which chiefly are to have been short of long-term plans in formulating local regulations and rules, to have not fully exercised its function and power in conducting supervisions, to have not established extensive and profound ties with deputies, and to have not thoroughly improved its systems. All of these urge us to earnestly conduct reforms in the future work.

Fellow deputies: The Constitution and the Organic Law for Local Congresses and Governments have imposed quite heavy duty and power on local people's congresses and their standing committess. The demand and hope harbored by the people on the people's congresses have become higher and higher. Under the new circumstance, let us deeply implement the spirit of the Fourth

Session of the Sixth NPC, further develop the spirit of the Foolish Old Man removing the mountain by following the principle of grasping transformation and construction on the one hand and improving socialist legal systems on the other hand, made efforts to pioneer the road of advance, and strive to fulfill successfully the task in the first year of the implementation period of the "Seventh 5-Year Plan."

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XINJIANG SCHEDULES PEOPLE'S CONGRESS SESSION

HK090249 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 7 May 86

[Excerpts] The 19th meeting of the 6th regional people's congress standing committee ended on the afternoon of 7 May. The meeting decided to open the fifth session of the sixth regional people's congress on 26 May in Urumqi.

During the meeting, the members listened to and examined a report by the regional people's government on auditing work, a report on the implementation of the forest law and food hygiene law, and regulations on food hygiene control in urban fair markets in the region.

Amudong Niyazi, chairman of the regional people's congress standing committee, presided over this afternoon's meeting.

The participants adopted a resolution of the regional people's congress standing committee on convening the fifth session of the sixth regional people's congress and a resolution of the regional people's congress standing committee on strengthening auditing work, and approved some appointments and removals.

Yang Yiqing, Codanov, Ren Gebai, Abulizi Muhemaiti, Mayenur, Yu Zhanlin, Mahsud Deipov, Husaiyin Siyabayefu, and Xiaer Xibieke Sidike, vice chairmen of the regional people's congress standing committee, attended this afternoon's meeting. Also attending the meeting as observers were (Mao Dehua), vice chairman of the regional government; and responsible persons from the regional higher people's court, the regional people's procuratorate, the regional people's congress standing committee, the relevant departments of the regional people's government, and people's congress standing committees of all autonomous prefectures and some counties and cities.

(Liu Denghao) was appointed chairman of the regional planning commission; Huang Baozhang was removed from his concurrent post of the chairman of the regional planning commission; and (Huo Qin) was removed from the post of the director of the regional auditing bureau.

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YUNNAN HOLDS CPPCC SESSION, WORK FORUM

HK051448 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 4 May 86

[Excerpt] After completing all items on the agenda, the fourth session of the Fifth Yunnan Provincial CPPCC Committee and the provincial forum on CPPCC work concluded in the Kunming People's Shengli Hall. Yesterday's meeting was presided over by Liang Jia, chairman of the CPPCC, and Yang Yitang, vice chairman. Seated on the rostrum were vice chairmen, including Yang Kechang, Qu Zhongxiang, Huang Ping, Xiang Chaozong, Zhang Xiangshi, Ma Huiting, Bao Hongzong, Jin Qiongying, Yang Chunzhou, Dao Shixun, and Yan Weijun; and Comrades Wang Jieshan and Wang Qiming. Leaders of the provincial party and government, including Pu Chaozhu, He Zhiqiang, Li Shuji, Liu Shusheng, (Zhao Chuming); (Guo Pei), Yin Jun, Li Xingwang, Li Guiying, Yan Yiquan, Yang Ming, and Yu Huoli; and responsible persons of a certain group army of the China PLA, Yunnan Military District, and Yunnan Provincial Armed Police Force Corps, including (Meng Yuqi), (Shi Youming), (Wang Zhujun), (Huang Tingzhong), and (Duan Zili), attended the meeting to extend greetings and took their seats on the rostrum.

The session adopted the political resolution of the fourth session of the Fifth Yunnan Provincial CPPCC Committee, the resolution on the work report of the CPPCC committee standing committee, and the report of the motions commissions on the situation in the examination of the motions at the fourth session of the fifth CPPCC committee. The session additionally elected (Cun Ruchang) and (Liu Chongzhi) as provincial CPPCC committee standing committee members and adopted a comfort telegram from all committee members attending the fourth session of the Fifth Yunnan Provincial CPPCC Committee to the commanders and fighters of the Yunnan border denfese PLA units at the frontline.

Pu Chaozhu, secretary of the Yunnan Provincial CPC Committee, spoke at the meeting.

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ZHEJIANG PEOPLE'S CONGRESS SESSION OPENS

OW060529 Hangzhou Zhejiang Provincial Service in Mandarin 0300 GMT 5 May 86

[Text] The Fourth Session of the Sixth Zhejiang Provincial People's Congress opened ceremoniously this morning at the Great Hall of the People in Hangzhou.

At 0830, Li Fengping, executive chairman of the session, declared the session open. Sitting on the rostrum were executive chairmen including Chen Anyu, Shang Jingcai, Li Yuhua, Wu Zhichuan, and Wang Qidong. Leading comrades, including Wang Fang, Xue Ju, Chen Fawen, Wu Minda, Shen Zulun, Li Dexin, Liu Xinzeng, Tie Ying, Wang Jiayang, and Li Qing attended the opening ceremony and were seated on the rostrum.

Amid warm applause, Governor Xue Ju delivered a report on the Seventh 5-Year Plan for Zhejiang Province. His report is divided into four parts: 1) The implementation of the Sixth 5-Year Plan; 2) the basic tasks and the major work in economic construction in the period of the Seventh 5-Year Plan; 3) Continue the thoroughgoing and systematic reform of the economic structure; and 4) Further strengthen socialist spiritual civilization.

Warm applause broke out in the hall when Governor Xue Ju finished reading his report.

A total of 821 deputies attended today's session. Members of the fourth session of the fifth provincial CPPCC committee were present as nonvoting delegates. Also present as nonvoting delegates were the province's deputies to the NPC, and officials of the provincial departments and the people's congresses and governments of cities, prefectures, counties, and districts under the jurisdiction of cities.

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BRIEFS

HENAN PEOPLE'S CONGRESS--The fourth session of the sixth Henan provincial people's congress concluded in Zhengzhou on 9 May. Present at the closing ceremony were leading comrades of the party, government, and army in the province Yang Xizong, Liu Zhengwei, He Zhukang, Song Yuxi, Lin Yinghai, Zhan Jingwu, Zhang Zhigang, Qin Kecai, Song Zhaoshu, and Zhang Chixia; Li Ming, president of the provincial higher people's court; and Zhao Wenlong, president of the provincial people's procuratorate. Zhang Shude, chairman of the provincial people's congress standing committee, presided. In a speech, Zhang Shude pointed out: This session has given full play to democracy and achieved its predicted tasks. This has been a lively and encouraging meeting. He expressed the hope that the deputies would seriously study and actively publicize the province's Seventh 5-Year Plan and achieve all the tasks and goals set in the plan. This is the common historic task of the people of the whole province. [Excerpts] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 9 May 86 HK] /6662

ZHEJIANG PEOPLE'S CONGRESS MEETING--The presidium of the Fourth Session of the Sixth Zhejiang Provincial People's Congress held its second meeting this morning to hear briefings by various delegations on their deliberations on Governor Xue Ju's report on Zhejiang Province's Seventh 5-Year Plan. Governor Xue Ju, Vice Governors Wu Minda and Li Debao, and responsible persons of departments concerned attended the meeting. [Excerpts] [Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 7 May 86 OW] /6662

YUNNAN PEOPLE'S CONGRESS--The fourth session of the Sixth Yunnan Provincial People's Congress concluded in Kunming today after completing all its agenda. The session called on the people of all nationlaities to unswervingly implement the party and state principles and policies, display the spirit of the foolish old man who removed the mountains, unite as one, persevere in reform, be keen on reform, clear the way to forge ahead, and fulfill and overfulfill the year's tasks. Present at the closing ceremony were the executive chairmen of the session together with Pu Chaozhu, He Zhiqiang, Zhu Zhihui, Li Shuji, Liu Shusheng, Li Xingwang, Yin Jun, and Liang Jia; and Li Qiming, Liu Minghui, Zhang Zhixiu, Xie Zhenhua, Gao Zhiguo, Zhang Zizai, and Chen Jiagui. [Excerpts] [Kunming Yunnan Provincial Service in Mandarin 1000 GMT 5 May 86 HK] /6662

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ECONOMIC MANAGEMENT

JOURNAL URGES CORRECT ATTITUDE ON FINANCIAL MANAGEMENT

HK241210 Beijing JINGJI GUANLI in Chinese No 2, 5 Feb 86 pp 13-16

[Article by Han Manshou [7281 3341 1108]: "Do Away With Traditional Concepts, Take a Correct Attitude Toward Financial Management"]

[Text] It is an inevitable demand owing to historical developments that we should continue to satisfactorily carry out the reform of our financial system; gradually put an end to old traditional habits and practices; learn new ways of financial management including those related to making funds grow, accumulating funds, and spending funds; turn the supply-type finance that is characterized by collecting all income and funding all expenditures into the constructive administration-management-type finance; and serve the vigorously developing new situation and the entire economic structural reform. In order to do so, it is very important to do away with traditional concepts and foster new financial management thoughts.

I. Doing Away With Old Concepts Is a Necessary Precondition for Achieving a Change in Our Financial Work

Concepts are the reflection of objective reality in people's minds and they influence and dominate people's acts. We have long had some fixed concepts about a series of questions including those on what socialism is and how we are to carry out socialism. These concepts fetter people's minds and hinder the development of our productive forces. In our financial work, these concepts are shown in the following: 1) We often only consider the finance aspect alone, namely, the tasks of collecting revenue and allocating expenditure in doing our financial work, and we seldom strive to understand the whole situation, manage our sector in light of the whole situation, discuss major issues, or consider financial matters in light of our economic development. 2) We often haggle on the amount of funds to be allocated for a certain matter and focus on solving the problem of funding our administrative expenditure, but we seldom pay attention to researching our financial policies and theories in order to promote our production, enliven our economy and find sources of revenue. 3) We often focus on our immediate interests and make rigid calculations about the short-term factors that affect our financial revenue and expenditure, but we seldom proceed from our long-term interests to make flexible calculations with broad vision. 4) For 30 years, we have followed the old patterns and practices without any deviation and lacked the courage to carry out reform and explore new paths. Of course, we can list some more, but the above are the major ones. What they have in common is a "fear"; that is, we fear the emergence of troubles, failure to fulfill our tasks, and punishment should we deviate from the "key links" and "line." In short, these fears hinder the progress of our reform and are detrimental to the transformation of our financial work.

There is an ancient saying that "in doing anything, we should have new ways and refrain from repeating poor old practices." What are the new ways? As far as the present needs are concerned, in order to transform our financial work, we should have new ways to change from a "supply-type" into a "construction-type," from a "control-type" into a "management-type," from a "closed type" into an "open type," and from a "stability-oriented type" into a "development-type." Toward this end, we should continue to eliminate the influence of "leftism," better emancipate our minds, do away with the outdated conventions, and establish new ideas on our financial management. This is the demand of the development of our situation and of our four modernizations. A review of our history and summation of our experience show that we should start with the following in establishing our new ideas on financial management:

1. Our new ideas on financial management should deal with both budgetary and extrabudgetary funds. In other words, we should establish a comprehensive financial system. Since the 3d Plenary Session of the 11th CPC Central Committee, as our national economy has developed and as we have been carrying out an economic structural reform, extrabudgetary funds have drastically increased. For example, in Shanxi, the ratio of extrabudgetary funds to the state budget revenue was 0.995 to 1 for 1982 and 1.053 to 1 for 1983. In 1984, extrabudgetary funds reached 3 billion yuan, 12.4 percent bigger than the budget revenue. The 3d Plenary Session of the 11th CPC Central Committee has opened the way for our people to become rich. In 1984, the per capita income of the peasants in Shanxi Province exceeded 350 yuan and the per capita cash in hand was 50-100 yuan. This is a considerable amount of social funds that urgently require guidance and management. Therefore, our financial work, which now only deals with budgetary funds that account for one-third of our national income, has already fallen far behind of the demand of the development of the situation. Only by establishing a comprehensive financial plan through financial means can we amass all the funds that can be raised and employ them in various aspects of our four modernizations. Only by so doing can we have both sources and outlets for funds and have better economic results with our limited funds. One issue that we should attach importance to is to do away with the old custom that the financial department can only make investment without compensation. With the aid of our legal, administrative, and economic means, we should correctly apply the powerful economic lever of finance to control and regulate the overly high growth rate of our national economy, manage to strike a financial, credit, material, and foreign payments balance, and try every means to support the projects that need small investment but achieve quick results.

2. In carrying out the reform of our financial system, we must start with our economy and the whole situation, and grasp both urban finances and county (district) finances. In Shanxi, there are 114 county-level (district-level) financial departments. At present, 62 counties (districts) survive on subsidies, with 31 of them subsidized by the central authorities. How are we to give play

to the initiative of county-level financial departments? How are we to give play to the role of economic radiation by our key cities? How are we to speed up the economic development of our counties (districts)? How are we to enable our county-level finances to be self-supporting without relying on subsidies? These questions are worth studying in order to bring about a radical turn for the better in our financial situation.

3. In carrying out our financial reform, we must put an end to the practice of the financial department collecting all the revenue and funding all the expenditures and satisfactorily grasp financial management. This is the key to the transformation of our financial work. Since we streamlined our administration and decentralized power, our financial departments have abolished the practice of "the state taking on everything," adopted the methods of "maintaining ownership by the whole people, operating by collectives, paying taxes according to regulations, and shouldering sole responsibility for profits and losses" for our small enterprises owned by the whole people. In their financial management system, they have implemented the principle of "classifying taxes, assessing income and expenditure, and assigning all-round responsibility by contracts level by level," granted our enterprises power over their production and operations; and linked wages with amounts of tax payments and profit delivery, thus stressing the task of management.

4. Our new financial work should treat equally the sector owned by the whole people and the collective and individual sectors without discrimination. Under the situation of a planned commodity economy, both collective and individual economic sectors are indispensable and we must do away with the previous traditional concept of administering only the enterprises owned by the whole people. We should give the green light to any production or operation activity that is conducive to increasing our revenue and has relatively high economic results and social benefit, and treat all such activities equally.

5. We should do away with the old regulations and practices related to the policy of closing our country to international intercourse. In light of our policy of opening up to the outside world and enlivening the domestic economy, we should "fight out" and "draw in." By fighting out, we mean that we should vigorously support and develop the production of the products that can earn foreign exchange, occupy the international market, and heighten our foreign exchange earning capacity. By drawing in, we mean that we should use the advantages of natural resources, personnel, and geographic location of all countries, emancipate our minds, and adopt vigorous measures to draw in foreign capital and import advanced technology and management knowhow. Toward this end, we should reform our financial work in accordance with the principle of totality and comprehensiveness, really turn the supply-type system into the administration-management type, and thus promote the reform in our entire economic system.

II. An Administration-Management-Type Financial System Is the Objective Demand of Our Planned Commodity Economy

The resolution on economic structural reform approved by the 3d Plenary Session of the 12th CPC Central Committee marks a new level of our party's understanding of our country's national conditions and the law governing socialist economic construction, and indicates that our country's economic life has begun to shift to the orbit of a planned commodity economy. This new situation has given rise to a series of new changes in our financial work which have a dominant position in our distribution sphere. Our financial work is faced with new issues such as the questions of how we are to correctly handle the relationship between budgetary and extrabudgetary funds and between accumulation and consumption and how we are to make an all-round application of our economic levers and regulatory means, intensify macroeconomic control while enlivening our microeconomy, and establish our social insurance system. In order to satisfactorily deal with these new issues, we must clarify the following ideas:

1. Our country's commodity economy is different from both a simple commodity economy and a capitalist commodity economy, and is a planned commodity economy. As cells of this national economy, our enterprises should operate independently, shoulder sole responsibility for their profits and losses and have certain decisionmaking powers. However, from the point of view of the planned commodity economy, the state must exercise necessary macroeconomic control and regulation. In this area, finance is an economic lever directly controlled by the state and all aspects of our economic life will finally be reflected in our finance work. Therefore, in order to do their financial work well, our financial departments should foster a sense of the market. This is not merely a problem related to understanding nor a problem that can be solved by merely making these departments realize the importance of the market. We must realize that our economic life is becoming increasingly complicated and that only by mastering and applying scientific research methods and modern calculation tools can our financial departments get accurate data. They should also closely monitor the trend of the market at home and abroad and inside and outside the province or region and acquire new information. On the one hand, they should provide correct information and guiding opinions for our enterprises, and on the other hand, they should protect the consumers' interests through participating in the state's market regulation and applying economic means, give full play to the role of the law of value, and thus manage to be skillful in achieving financial growth and accumulating funds and moderate in spending.

2. The goal of our economic structural reform is to develop our social productive forces. The transformation of our financial work must closely be centered around this goal. Toward this end, our financial departments must first correctly understand the dialectic relationships between production and distribution and between economy and finance, foster the idea that "economy determines finance," and make all our financial cadres understand that "we should increase our revenue by developing our national economy." This is the fundamental principle for us in establishing an administration-management-type finance. Second, we should increase our investment in the technological transformation of our industrial enterprises and in the development of commodity production, gradually turn our supply-type expenditure composition into a construction-type expenditure composition, follow the path of carrying out expanded reproduction mainly by intention, and augment the vitality and reserve strength of our enterprises. In this area, we should not neglect overcoming the malpractice of the collective and individual sectors, or the malpractice of focusing on industry and agriculture while neglecting our tertiary

industry. Our financial departments should create equal external conditions for all enterprises to compete with one another and treat them equally without any discrimination. Third, we should pay close attention to controlling the input of products. This is where an administration-management-type finance differs diametrically from a supply-type economy. Our financial departments should know how to use their limited funds early or later, in large or small amounts, quickly or slowly, and urgently or at ease. They should make the best use of their funds and invest the funds in the key projects that have advantages and can yield new sources of finance. In order to obtain the above knowhow, in addition to correcting their vocational guiding thought, they should radically change their thoughts, style, and work. In other words, they should get out of their offices, go deeply into reality and among the lower levels, do a good job in investigations and studies, and pay attention to increasing the yield of funds and the ways to accumulate and use funds. Of all these, the most important is increasing the yield of funds. Fourth, we should do a good job of drawing in foreign capital and satisfactorily importing advanced technology and management knowhow. An administration-management-type finance should satisfactorily make both long-term and short-term plans in light of the limitations of our current financial capacity, the capacity of our enterprises to assimilate technology, and the masses' capacity to shoulder the burden.

3. Since the separation between the functions of government and those of enterprises, some government departments "have returned power to enterprises," others "have given some power to enterprises," and still others have "shared some of their power with enterprises." In the future, the major duties for our functional departments of economic administration are to discuss major issues, monitor the whole situation, satisfactorily impose macroeconomic control, and make our national economy develop along a path of healthy and harmonized development. Under these circumstances, our financial departments which have dual functions should formulate comprehensive financial plans, correctly guide the direction of the flow and the movement of our funds, and coordinate the spending of funds to ensure full provision of funds for each project. We should ensure that this task has been put on the agenda of the financial departments at all levels.

III. Strengthening a Sense of the Legal System Is a Guarantee for the Actual Establishment of an Administration-Management-Type Financial System

Lenin said: "If it is the will of the state, it should be written into the law formulated by the organs of the state power; otherwise, the word 'will' will become meaningless." As we are transforming our supply-type finance into an administration-management-type finance, strengthening our sense of the legal system and eliminating the practice of acting according to officials' will in disregard of the law are of particularly great practical importance for the realization of this great transformation.

1. From the point of view that finance is the financial pillar for the state in performing its functions, since the emergence of states, all states--slave, feudal, capitalist, or even socialist ones--have had to rely on the support of their financial system before they can fully perform their political and

economic functions. In the future, under a socialist commodity economy, although we should relatively soften our mandatory plans and continue to expand the scope of our guidance plans, this does not mean that we are to abolish all plans or all our mandatory plans. Therefore, there is a trend for the state to increasingly intensify its functions in intervening social economic life. Judging by the problems that cropped up in our country's economic life in the fourth quarter of 1984, the transition from the old to the new system and the interference of new unhealthy practices were two of the reasons for the emergence of the problems, but the imperfect legal system was also an important cause. For example, our enterprises owned by the whole people shoulder only contracted responsibility for their profits but not for their losses. If we fail to formulate an enterprise bankruptcy law, it will be difficult to radically do away with the practice of "eating out of the same big pot" or to really make our enterprises shoulder sole responsibility for their profits and losses. For another example, there are many causes for the excessive distribution of the national income. Among these causes, there may be excessive distribution conducted by our financial departments and banks through incurring financial deficits and expanding credit. If we fail to formulate a Central Bank law and a state budget law, even the reports of budget and final accounts approved by NPC sessions will often fail to be implemented.

2. A comprehensive review of world history reveals that the success of most reforms relies on the guarantees of the law. Since the founding of the PRC, in particular since the 3d Plenary Session of the 11th CPC Central Committee, the relevant departments have done lots of work related to our financial and economic legislation and promulgated many important financial and economic laws and regulations. This has played an important role in imposing our financial law and discipline and ensuring the smooth progress of the financial distribution activities. But we should also see that as our commodity economy quickly and drastically develops and as we carry out major reforms in the state's economic life, our country's work of economic and financial legislation may still fail to satisfy the demands of the development of the situation and should be further improved. The major problems now are: 1) The existing law is not followed or implemented. In some areas, departments, and units, the phenomena of "substituting somebody's words for law," "substituting power for law," "substituting administration for law," and "substituting personal position, prestige, or relationships for law" often emerge. 2) There is no law to follow. In many aspects of our country's economic and financial life, most of the rules and regulations continue to be in the form of government or departmental notices, instructions, provisional (draft) regulations, opinions, methods, and so on, which paly some restrictive role but lack the binding force of law because of reshuffles of officials or other reasons. In our economic life, we often see the practice of telling offenders "not to repeat the offenses" or "handling cases according to the degree of seriousness of the offenses." This often enables offenders to get off with light punishment for serious offenses or even no punishment for minor offenses.

In order to realize a transformation in our financial work, first, the relevant legislative departments should accelerate the pace of establishing our financial laws and regulations, and gradually establish an integrated system of financial and economic laws and regulations with Chinese characteristics, thus enabling people to have laws to follow and put our financial and economic work under the restrictions and control of law. Second, we should clarify the scope of power for our various functional departments and solve the problems in an all-round manner. Financial laws and regulations are a comprehensive concept and are related to all aspects of our national economy. This requires us to strictly distinguish between the functions of various departments, including our financial, auditing, and taxation departments, banks, economic commission, planning commission, and other relevant departments; to strengthen the relations between them; to straighten out our national economy in an all-round manner; to punish violations of discipline severely by means of criticism, education, and economic, legal, and administrative punishment; and to conduct administration and supervision, and so on. Third, we should persist in implementing the principle that "all people are equal before the law," and truly carry out the maxim "a prince is punished like an ordinary person when he commits a crime" in order to ensure the dignity of law. In this sphere, an important issue is to give our departments of administration of law real power of office and refrain from giving them only the power of "putting forward proposals" but not the power to "make decisions" in order to avoid the malpractice of the law being promulgated by many departments, punishing people without authorization, and substituting party for government or government for law. We should firmly establish a sense of administrative discipline and law among all our people and thus enable our state to take a heartening step forward toward the establishment of a perfect legal system, to really embody its will in its law, and to provide a guarantee for the actual realization of an administration-management-style financial system.

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ECONOMIC MANAGEMENT

SUMMARY OF CHINA'S SECOND NATIONAL INDUSTRIAL SURVEY

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 1-2, 1 Jan 86 pp 63-65

[Article by Xu Gang [6079 0474], Deputy Chief of National Industrial Survey Group and concurrently Director of National Industrial Survey Office of the State Council: "Summary of China's Second National Industrial Survey"]

[Text] In November 1983, the State Council of PRC decided to start its second national industrial survey in 1986. The scope of this industrial survey will be unsurpassed since the founding of the People's Republic (the first survey being held in 1950 shortly after the founding of New China). It will be an important survey on the national resources as well as a very important basic task in building socialism with Chinese characteristics. This survey will cover 400,000-500,000 industrial enterprises with independent accounting, rural enterprises, and industrial undertakings by private individuals. Such a large-scale survey is not only unprecedent in China, but also rarely seen in the world. Since this survey will have to meet many requirements and cover many fields, it will be more complex and difficult than the surveys of many developed countries which have been conducted many times at 10 year intervals.

Purpose and Task of Industrial Survey

The purpose and task of this industrial survey is to ascertain the available industrial resources and to provide fairly comprehensive and detailed basic data for the formulation of long-range plans, including the plans for the transformation of various trades; for readjusting and streamlining the various relationships, including the proportionate relationship; for reforming the structure, and expanding international economic contacts and cooperation in line with the policy of opening the country to the outside world and invigorating the economy at home; for consolidating and improving the macroeconomic management and the operation and management of enterprises; and for bringing about better economic results for the society and the enterprises and promoting the development of national industry and the entire society and economy. In short, its purpose is to attain the strategic objective of making the country fairly well-off by the turn of the century and accelerating the four modernizations, particularly the industrial modernization.

The long-range plans and the policy of readjustment, restructuring, consolidation and improvement have but one common purpose, namely the development of productive forces. There are three methods to accomplish this purpose: first, the building or expansion of a number of enterprises; second, technical transformation and equipment renovation for the existing enterprises; and third, improvement of the enterprises' quality and their management, and fully tapping their internal resources. The first is an extensive method, and the other two are intensive ones. All these three are important, and none of them can be lacking, although under different conditions, they may be in a different priority order. Funds are required for any of these three methods. In comparison, however, more funds are required in the building and expansion of enterprises, and the investment returns are slower. The transformation of old enterprises costs less and shows quicker results, while the improvement of business management costs the least and shows the quickest results. Based on the existing realities, therefore, how should we handle the relationships between these three methods and arrange their priority order? This is an important question which deserves careful study.

First, for a very long time in the past, investment was concentrated on the building and expansion of enterprises, resulting in the appearance of many enterprises which gave very good performances. The number of industrial enterprises and unit has been increased from some 100,000 shortly after the founding of the People's Republic to more than 400,000, while the value of their fixed assets has increased several dozen times over, and is expected to reach about 600 billion yuan by the end of 1985. The total industrial output value and the output of the major industrial products, such as steel, coal, electricity, cement, motor vehicles and so forth, have mostly increased scores or even hundreds of times. It is true that we have sometimes acted rashly in building and expanding enterprises and have wasted huge sums of money. However, in order to fill some gaps, to develop some new trades, and to strengthen certain weak links, the building and expansion of some enterprises are still necessary, although this would be difficult in view of the limited funds at the state's disposal.

Second, the present industrial setup in the country is quite large with a fairly complete range of trades. There is also a fairly complete industrial structure with a solid foundation. However, the technical equipment of these enterprises are mostly outdated and of the 1950 or 1960 vintage. These enterprises must be technically transformed and raised to the level of the 1970's or the early 1980's before their economic results and productive capacity can be appreciably improved. If we only invest in the building and expansion of enterprises and leave the existing enterprises without technical transformation, then these enterprises without technical transformation, then these 400,000-500,000 enterprises will become more and more technically backward, and it will be difficult for them to increase their output and to improve their economic results.

Third, the quality of the existing enterprises is poor and the standard of management for most of them is very low. We must improve their management, raise the morale and technical competence of their workers, strictly enforce some responsibility system, strengthen the basic work of economic accounting, and attach great importance to information so as to avoid any rash action in production. By this means, we will be able to achieve better coordination in all phases of work among the different posts of production, increase the efficiency of operation, make full use of the equipment of production, constantly update our products, continue to improve their quality, greatly reduce the consumption of energy and raw materials, raise the labor productivity, lower the production costs, and gradually set up rational prices to increase our power of competition. This method is much more effective than the other two in money-saving, and we can increase the productive capacity of the enterprises by tapping their internal resources. This is the best method of obtaining more output with less input. If we make no effort to raise the standard of management, then it would be difficult for the industry to develop in a rapid and healthy way, even though we build more enterprises with advanced technical equipment. Backward management can never function in harmony with advanced technology, and this lack of harmony will certainly bring serious losses. There is a very close relationship between technology and management, and advanced technology calls for advanced and scientific management. If the "hardware" does not match with the "software," then the advanced technology can only become a burden and the cause of very serious waste.

The policy of technical transformation for the existing enterprises was stressed in the Sixth Five-Year Plan, and the investment in technical transformation was heavier than ever before. Great success was achieved in this respect during these 5 years. The "Proposal for the Seventh Five-Year Plan" also stressed the technical transformation of the existing enterprises, but went even further in dealing with the problem of raising the management standard. The cardinal principles concerning the relationships among the "three things" [mentioned in the "Proposal"] has been basically determined. To ensure the implementation of these principles, we must work out a series of concrete policies, measures, plans and steps of implementation concerning the way to distribute the limited funds and to use these funds rationally and to the best advantage; and the way to do our work well in these "three things" in order that each of them can play a full role. They include the orientation of investment in new construction projects, the proportion of investment distribution among different trades and products and their priority order, the actual sizes of projects and the seldction of their sites, the allocation of funds for technical transformation, the plan of technical transformation for each trade, each enterprise and each set of equipment and the order of transformation, the allocation of funds for developing new products, improving quality, reducing consumption, raising labor productivity, expanding the productive capacity, and technical transformation in other areas. Of particular importance is the way to ensure that funds for technical transformation are not diverted to the building and expansion of enterprises and the way to strengthen the management, including the training of workers (and first of all the leading personnel), the standardization of measurements, the rational readjustment and full utilization of equipment, the responsibility system, the quota management, and so forth. The solution of all these problems must be realistic. These problems have been fairly fully covered in this industrial survey which will be able to supply data in fairly great details.

Contents of the Industrial Survey

The contents of the industrial survey are dictated by its purpose and task. According to the State Council's directive, this industrial survey should be mainly concerned with the technical conditions of the industrial equipment, the economic results, the various internal structures of industry and the workers conditions besides showing the basic industrial conditions and a complete picture of the industrial economy. The contents of the survey are accordingly as flows: in production, the total output value, net output value, the quantity and quality of products and labor productivity; in marketing, the total sales proceeds, the sales volume for each variety of product, the prices and the monetary figures; in supplies, the supply and consumption of various types of energy and raw materials; in labor and personnel, the number and sex of workers, their nationality, age, educational background, and technical standards; in wages, the total payroll, the average wages and the composition of the total payroll, in financial costs, the fixed assets (and their original and net value), the circulating funds (including current funds for finished products, reserve funds and so forth), profits, taxes, the distribution and use of profits retained by the enterpries, production cost, marketing cost, and the composition of cost (which can be classified into two major categories of living labor and materialized labor; in equipment, the amount owned, the amount installed, the service life, the technical grades (in four grades), the productive capacity and the utilization rate; and so forth, totaling more than 300 indices. The tables of contents in the survey forms are of many kinds, and the contents are given in fairly great details. For example, there are more than 500 processing trades (mainly shown in the comprehensive tables of output value, labor wages, financial and costs and so forth); more than 5,000 types of products and equipment (mainly shown in the production, marketing and equipment survey tables); and more than 1,000 types of products for which the costs and prices should be filled in and reported. The tables of contents for those products whose quality standards must be reported, and for the output and consumption of energy and raw materials, which must also be reported, are all in farily great details. In addition, there are still hundreds of technical and economic indices included. On the whole, the contents of this industrial survey are very comprehensive, dealing with all the economic activities of the enterprises. Such details have never been seen in the monthly, quaterly or annual statistics.

The processing of these survey data is not merely a simple summarization of the basic figures reported by the enterprises. It must be based on the requirements of research in the solution of problems and the making of policy decisions. Some special topics may also be selected for intricate and cross processing by different groups. In other words, the purpose of these numerical data processing is not to present a voluminous report. More important still, these reports must be deep-going enough to reveal the essence of problems. This survey calls for comprehensive reports from not only the 29 provinces, autonomous regions and municipalities directly under the central government (excepting Taiwan, Hong Kong and Macao), but also from more than 200 cities and some 2,000 counties. By this means, we will be able to obtain more detailed materials from each area. Furthermore, we can compile the most accurate and detailed directory, including brief introductions, of the enterprises in all trades ever published since the founding of the People's Republic.

Steps in the Work of Industrial Survey

According to the State Council's directive, all preparations should be completed before the end of 1985, and the survey and registrations will formally begin in the first quarter of 1986. This will be followed by the processing, study, analysis, compilation and publication of the data.

The preparations which have been going on for more than 2 years are mainly as follows:

1. The establishment of leading organs and offices at all levels for the industrial survey. In November 1983, the State Council decided to form a leading group for the national industrial survey in the State Council. State Council Councilor Zhang Jingfu [1728 0513 1133] was appointed chief of the group, and one person each was appointed by the State Economic Commission, the State Planning Commission, the Ministry of Finance, the All-China Federation of Trade Unions to serve as deputy chiefs. The leading group has an office in which to carry on its daily routine work--the Industrial Survey Office. The governments at all levels, the departments in charge of various trades, and all the enterprises have also formed their survey leading groups and their offices, and the groups are headed by the vice ministers, vice governors, vice mayors, vice county magistrates, or vice managers (or vice factory directors). It is so arranged, simply because the task is too arduous for the statistical bureau alone. Thus the existence of strong leading bodies and offices at every level made it possible to guarantee the completion of the task organizationally.

2. The formulation of programs of implementation and work plans for the survey. The final draft of this program was based on investigations and study, the opinions in various quarters, experiments in enterprises, and the observations of people dispatched to the United Nations and the friendly countries where they studied the foreign programs of industrial surveys and learned from such experiences as are useful for China. That is why these plans are practical and suitable for the actual conditions in China.

3. Conducting snow-balling experiments. First, in the second half of 1984, all ministries, provinces, autonomous regions and municipalities directly under the central government held a unified nationwide experiment in Changzhou City, Suzhou. Then in the first half of 1985, all provinces, regions and municipalities chose one or two cities or counties (or municipal districtes) where industry is fairly concentrated under their own jurisdiction, while the ministries chose one trade or some enterprises, for their experiments. finally, in the third quarter of 1985, all cities and counties chose one or two enterprises for the same purpose. These snow-balling experiments enabled

the leadership at various levels to obtain the necessary experience for conducting the survey well, and the experiences of certain units were quickly popularized in areas with hundreds of cities, thousands of counties, and hundreds of thousands of enterprises. This was like fighting a battle, and the commanders cannot learn how to direct the operations without a series of military exercises.

4. Large-scale training of survey personnel. In order that all survey personnel will consciously and actively perform their duty, training classes must be held for them. They must understand the reason for the industrial survey to be conducted, the purpose and significance of the survey, the contents of the survey, and the way for this task to be accomplished. In other words, they must understand the items to be surveyed, their significance and uses, and the way to evaluate them. The training must be strict and intensive, and the trainees must pass a test, or be trained again in case they failed to pass it. To meet this requirement, we must adopt the method of cooperation and division of work among the localities and departments in charge by conducting training at every level. First, in April 1985, training was conducted for the backbone elements of all ministries and provinces. These backbone elements then trained the survey personnel of cities and counties, and these survey personnel in turn trained their counterparts in the enterprises. After half year's efforts, according to incomplete statistics, 1.6 million persons were trained in the country. This was a training course not only for cadres in industrial survey, but also for the administrators of enterprises.

5. The basic work of economic accounting in consolidating the enterprises. This work was attended to jointly by the industrial survey offices and the enterprise consolidation office. Its main features are: (1) to strengthen and perfect the means of measurement and monitoring in all aspects in order to guarantee accuracy; (2) to establish and strengthen various systems of first-hand recording, accounting, card-indexing and filing; (3) to strengthen quota management; and (4) to ascertain the conditions of equipment and productive capacity, in case of ambiguity. The consolidation of enterprises in more than 1 year helped strengthened the basic work which greatly raised the standards of their operation and management.

6. Checking up the enterprises and units. In order that not a single enterprise will be left out or duplicated during this survey, each city or county conducted a check-up at the beginning of 1985 on all the enterprises which actually existed at the end of 1984, and then compiled lists of them on this basis. Since certain changes may have occurred among the enterprises in 1985, the localities will again check them against these lists by the end of 1985. The enterprises which were newly opened, closed, or merged during that year will be added, delayed or readjusted in the list accordingly. The list will be based on facts and will guarantee the authenticity of the units to be surveyed.

7. Trial completion of survey forms. This experiment was conducted in October-November 1985 for the purpose of reviewing the preparatory work in an earlier stage and laying a good foundation for the work in the coming

year when these forms will be formally completed. The trial completions were mainly based on the statistics in the first 3 quarters of 1985. In the form, the figures for 1980 and 1984 must have been verified. The trial forms need not be consolidated, but must be carefully examined at all levels. In the case of an error, the enterprise concerned should be responsible for its correction. In fact, this trial completion of the survey form should be the beginning of the formal survey in 1986, because if the figures for the 4 quarters of 1985 can be entered into the form in advance, there is no need to wait until the beginning of 1986, and only the figures for the fourth quarter of 1985 have to be set in order at the beginning of 1986. Thus the enterprise will hold the initiative in the work of 1986. This trial completion of form is in fact a dressed rehearsal for the formal survey, or a military exercise. It is an extremely important measure to ensure the accuracy of the data during the formal survey.

8. Stepping up publicity work. In order to acquaint the leadership at all levels and the broad masses with the great significance of the industrial survey, and to enlist their support, we have made use of many different publicity media, including XINHUA NEWS AGENCY, the press, radio, television, posters, projection slides and so forth in our publicity work with fairly good results.

After more than 2 years intensive labor, all the required preparations have been basically completed. Although a few units have not prepared their work well enough, the organs of industrial survey at all levels are taking active measures to strengthen the weak links. With the New Year's approach, all the industrial survey personnel are full of enthusiasm and confidence in greeting the arrival a gigantic system engineering project--the industrial survey.

9411/9835
CSO: 4006/571

FINANCE AND BANKING

ASIAN DEVELOPMENT BANK MEMBERSHIP EXPLAINED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 4, 4 Apr 86, pp 23-24

[Article: "Person-in-Charge in Foreign Affairs Bureau of Chinese People's Bank Answers Reporter's Questions on China's Joining the Asian Development Bank"]

[Text] Question: What procedures have been completed for China to join the Asian Development Bank (or Asian Bank, for short).

Answer: On 28 November 1985, Chinese People's Bank Director Chen Muhua [7115 1970 5478] applied, on behalf of the Chinese government, to become a shareholder in the Asian Bank. On 17 February 1986, the Asian Bank's board of directors approved resolution number 176 admitting China to the Asian Bank. China then completed the following three procedures for joining the bank: (1) Deposited with the Asian Bank the Chinese government's instrument of acceptance accepting the "Agreement on Establishment of the Asian Development Bank." (2) Deposited with the Asian Bank a "Legal Opinion" attesting that China had signed the foregoing agreement in accordance with domestic legal procedures, and had taken required legal actions to carry out the foregoing agreement and obligations stipulated by the Asian Bank Council pertaining to China's acceptance into the bank. (3) Tendered the first capital stock installment of $17,130 in renminbi. On 10 March, Asian Bank authorities informed China that it had formally become a member of the Asian Bank.

Question: How many members does the Asian Bank have, and why do some countries that are not in Asia or Oceania join the Asian Bank?

Answer: As of the present time, the Asian bank has 47 members, including China, of whom 32 are members from Asia and Oceania and 15 are from areas other than Asia and Oceania. In accordance with provisions of the Asian Bank charter, developed countries outside of Asia and Oceania that are members of the United Nations and its special organizations may also participate in the Asian Bank. Countries in this category who are currently members of the Asian Bank are Australia, Belgium, Canada, Denmark, Finland, France, the German Federal Republic, Italy, Holland, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Question: Has the Chinese People's Bank already established relations with the Asian Bank?

Answer: The Chinese government has appointed Chinese People's Bank Director Chen Muhua as the Chinese director of the Asian Development Bank, plus the chairman of the board of directors and concurrently director of the foreign bureau of the Chinese People's Bank, Che Peiqin [6508 1014 2953], as the deputy director. The Chinese People's Bank is the official liaison organization of the Asian Bank in China, and it is also a storage bank for the Asian Bank, with responsibility for storing the renminbi and other assets held by the Asian Bank. The Chinese People's Bank has already established a professional relationship with the Asian Bank.

Question: After joining the Asian Bank, will China send people to work in the Asian Bank?

China owns 114,000 shares of Asian Bank stock valued at approximately $1.155 billion or approximately 7 percent of the total number of Asian Bank shares for third place among the bank's 47 members. Thus, China qualifies to assign independently a permanent director and deputy director at the bank's headquarters. The timing of the assignment is being discussed now.

It is understood that, in principle, applications for employment at the Asian Bank are publicly invited from among members, there being no allotted numbers. However, while bearing in mind the professional skills that those to be hired should possess, the widespread area covered by the bank should also be taken into consideration insofar as possible, and at the time of employment, the member's government and the views of the central bank should be consulted. Currently the Asian Bank has 1,535 employees, 574 of whom are professional staff and 961 of whom are assistants. Now that China is a member of the bank, preparations are in train for recommending some qualified personnel for employment.

Question: What kinds of specialized professional personnel does the Bank require?

Answer: The Asian Bank has advised that the main professional work of the bank is to provide loans for construction and development projects of developing member countries in this region; thus, the professional personnel it hires have very many specialties. These include law, the secretarial field, national economics, development policies, fisheries, forestry, animal husbandry, education, health, urban development, chemical industries, civil construction, electrical machinery, irrigation, machinery, mining, transportation, water supply, geology, energy, small industries, financial analysis, development banking, credit management, budgeting, planning, auditing, finance, storekeeping, systems programing, statistics, electronic computers, evaluations, economics, news, and economic editing.

Question: Will China attend the next annual board of directors meeting of the Asian bank. Please provide some information about the status of the Asian Bank board of directors.

Answer: The board of directors is the Asian Bank's supreme policy organization and is composed of one director and a deputy director appointed by each Asian Bank member nation. Most directors are heads of central banks or ministers of finance. The board of directors holds an annual meeting each year. Participants in the annual board of directors meeting include not only delegations sent by bank members, but also representatives of numerous international economic and monetary organizations and of commercial banks. Reportedly, more than 1,000 people attend the meetings.

The 19th annual meeting of the board of directors of the Asian Bank will be held from 30 April through 2 May 1986 at Manila, the capital of the Philippine Islands. China will send a delegation headed by Chen Muhua, member of the State Council and concurrently director of the Chinese People's Bank and Chinese manager of the Asian Bank. The delegation will be made up of people from relevant fields in China, including the Chinese deputy manager of the Asian Bank. During the session, China's delegation will meet friends from monetary circles of all countries and friends from international monetary organizations. This is a very good opportunity to exchange views on the international economic and monetary situation.

9432
CSO: 4006/1011

IMPORTANCE OF PAYING TAXES STRESSED

Beijing JINGJI RIBAO in Chinese 27 Oct 85 p 1

[Article: "Strengthen the Concept of Paying Taxes"]

[Text] China's tax laws have been passed by the NPC or promulgated by the State Council under the powers conferred upon it by the NPC. They are a major integral part of the country's laws, which everyone must observe. For a long time, an overwhelming majority of enterprises, units and individuals have voluntarily done their duty to pay taxes according to law, making a contribution to the four modernizations.

There have been some enterprises, units and individuals, however, whose concepts of law and discipline regarding tax payments are dim. They have purposely evaded or cheated on their taxes, or they have even refused to pay taxes. Some areas and units have done things other than in accordance with unified provisions of the tax law, have acted on their own volition to change tax rates, or have unauthorizedly decided on tax reductions or exemptions. Such illegal and undisciplined behavior has not only reduced China's tax revenues and adversely affected use of the role of tax collection economic levers, but has also interfered with reform and damaged Party spirit and the social atmosphere. Consequently, in the process of carrying out reform of the economic system, it is extremely necessary to genuinely strengthen concepts of the law and increase consciousness about carrying out national tax laws.

Strengthening of concepts about tax laws requires, first of all, a realization that tax revenues play an important role in the four modernizations. For a long time to come, our most important mission will be the concentration of forces to carry out modernization to satisfy the material and cultural needs of the people's daily life. Modernization will take money. Success in modernization will depend on success in accumulating funds, and the amount of funds accumulated with determine the amount of modernization. The recently convened national party congress noted in the proposal it put forward to draw up the Seventh 5-year Plan that realization of the Seventh 5-year Plan's goals for struggle will require adoption of six programs, the third of which is "amassing of financial, material and technical forces to build a group of key projects for energy, transportation, communications and the raw and finished materials industries." Tax revenues are the country's principal source of financial income. During the 36 years since fouunding of the People's

Republic, the country has accumulated a total of nearly 1 trillion yuan through industrial and commercial taxes. This figure is of huge significance for the building of socialism. So one might say that payment of taxes according to law is not solely a a vocational problem and a legal problem, but that it is also closely connected to the welfare of the state and the magnificent cause of socialism. If a blind eye is turned toward tax evasion, tax cheating and unauthorized tax reductions and exemptions and no halt put to them, the country's sources of money will be interrupted, and the amassing of financial strength for key construction and to raise the standard of living will become an empty phrase.

One must also realize that the tax collection issue also ramifies into whether reforms can be carried out smoothly. In the course of reform of the economic system, it is both necessary to open up and liberalize the micro-economy and also necessary to bolster management and control of the macro-economy. Enlivening of the economy is reform, and bolstering management and control of the macro-economy as necessary is also reform. Once enterprises in the micro-economy have been enlivened, tax collections become an important economic and legal measure for the state to use in bolstering control and management of the macro-economy. Right now, tax levies and exemptions, readjustment of tax rates and such means are being used in coordination with other measures to control the size of investment in capital construction and excessive inflation of consumption funds so that the country's economy will have sustained, stable and coordinated development.

Strengthening of tax law concepts requires correct handling of the relationship between rights and duties. All rights have been given the citizens by the constitution and laws, while at the same time all citizens are required to perform the various duties provided in the constitution and laws. This includes payment of taxes according to law, which is one of the glorious duties that a citizen in a socialist country should perform to the fullest. All tax paying units and individual should pay their taxes on time and in full. Strengthening of concepts of the tax laws also requires correct handling of relations between the central and local governments, and relations of parts to the whole. Party and government leaders at all levels represent the interests of the Party and the country, and they must firmly establish a psychology of viewing the whole country as a chessboard. Today, some tax paying units and individual taxpayers do not proceed from the overall situation to work with one heart and one mind to do a good job in economic work and reform. Instead, they do everything possible to find loopholes in national policies and incomplete reforms to gain benefits for their own units or themselves. Large scale tax evasion and tax cheating, and unauthorized tax reductions or exemptions damage the interests of the Party and the country, and this is extremely wrong.

Right now a large scale investigation of tax collections and financial matters is underway. Instances of tax evasion, tax cheating and unauthorized tax reductions and exemptions must be assiduously looked into and corrected. This broad investigation is an education of universal application for the whole body of cadres in obedience to discipline, adherence to the law and strengthening of concepts about paying taxes. Violations of tax payment laws will certainly be severely punished. Anyone who has violated tax laws will have to be straightened out and, depending on the seriousness of the violation, the violator will bear economic responsibility, legal responsibility, or will be punished by the Party or the government. This is the only way to bring about a new social atmosphere. Payment of taxes according to law is an honor!

9432
CSO:4006/283

INDUSTRY

EFFORTS TO UPGRADE METALLURGICAL INDUSTRIES DISCUSSED

Fuzhou FUJIAN RIBAO in Chinese 4 Apr 86 p 1

[Article by Chen Minzhen [7115 2404 4176]: "Cooperation wth Scientific Research Forces in Other Provinces To Hasten the Translation of Discoveries into Productivity. Provincial Metallurgical Industry Research Institute Has Completed 23 Scientific Research Projects"]

[Text] As a result of having given serious attention to cooperation with scientific and technical forces in other provinces, the Fujian Provincial Metallurgical Industry Research Institute has completed 23 scientific research projects, including new technology of oxygen enriched air blast copper smelting and brine refining of magnesium for which it received a science and technology achievement award from the Ministry of Metallurgical Industry.

Faced with a shortage of skilled personnel and equipment, the Provincial Metallurgy Research Institute made certain to bring in permanent scientific research cadres from elsewhere and devised means to identify difficult problems in plants and mines. Fujian Province's wolfram reserves are the fourth largest in the country, yet the province annually buys between 10 and 20 tons of tungsten contact materials. Scientific research personnel brought in from the Rare Metals Processing Research Institute at Baoji sought the assistance of existing units and obtained their support. For more than 2 years, not only has the Baoji institute provided Fujian's metallurgy institute with advanced equipment and detection methods, but it has also sent five permanent technical cadres to cooperate in research and development. In January 1986 evaluation of the tungsten contact materials showed their quality to to be at the advanced domestic level. Scientific and technical personnel from the provincial metallurgy institute also traveled to Baoji to study titanium production and new scientific research techniques. Assistant engineer Rao Liangshi [7437 2733 4258] used titanium materials to research and develop titanium heating tubes, which were integrated into electrically controlled equipment that is not only able to maintain sea water at a constant temperature but is also able to avoid pollution. This equipment is now used widely in the breeding of prawns. This instituted also cooperated with scientific research personnel in the Shenyang Smelting Plant, the Changsha Ore Smelting Research Academy, the Guiyang Aluminum and Magnesium Design Institute, and the Beijing Nonferrous Academy, and used equipment at the Shaowu Smelting Plant, the Xiamen Magnesium Electrolysis Plant and the chemistry department of Overseas Chinese University to produce new technologies of enriched oxygen air blast refining of copper and brine refining of magnesium. Comrades in the analysis office trained nearly 100 persons at the basic level in plants and mines in laboratory testing. They improved their conventional analytical skills to compensate for equipment deficiencies and insure quality of exports of metallurgical products. They have now purchased more than 100,000 yuan worth of urgently needed equipment using income derived from technical services they have provided and from transfers of technology. New techologies and new problems in powder metallurgy, wear-resisting aluminum-silicon alloys, precious metal contact points and non-damaging flaw detection brought by the personnel who had been brought in are also in the process of being actively pursued to obtain early results.

The Fujian New Materials Development Company that was set up by the provincial metallurgy institute in conjunction with units concerned in Beijing and Baoji has also spread new techniques and new materials to six industrial plants in Xiamen, Fuzhou, and Ningde during the past year. They are now in process of importing new materials production lines from other provinces to answer the needs of the electronics industry in Fujian Province for copper foil used in electrolysis and high performance welding tin. They also want to continue cooperation with other provinces to develop Fujian Province's wolfram, rare-earth metal, and fluorite mineral resources.

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SMALL-SCALE ENTERPRISES

SHAANXI HOLDS MEETING ON TOWNSHIP ENTERPRISES

HK121516 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 8 May 86

[Text] The 4-day experience exchanging meeting of counties, districts, and townships where town enterprise income has exceeded 100 million yuan concluded in Changan County on 8 May. The meeting commended 13 counties, districts, and townships where town enterprise income has exceeded 100 million yuan. Mou Lingsheng, deputy secretary of the provincial CPC committee, and provincial Vice Governor Xu Shanlin attended the meeting and spoke.

Despite insufficient funds, township enterprises developed rapidly in the province in 1985. The total output value of the province's township enterprises for 1985 amounted to some 4.98 billion yuan, accounting for 37.2 percent of the total rural output value. The net profit of the province's township enterprises for 1985 reached some 580 million yuan, an increase of 43.8 percent over 1984.

Mou Lingsheng and Xu Shanlin reviewed the status of the province's township enterprises and put forth several suggestions on the future development of township enterprises.

Mou Lingsheng said that although there are 13 counties, districts, and townships in the province where township enterprise income has exceeded 100 million yuan, the province is still backward in this respect compared with other provinces and cities. We must do all we can to catch up with them and give full play to our advantages. He said that to further develop township enterprises, the essential thing is to upgrade the quality of enterprises and make them competitive. It is necessary to solve the problem of poor business management and low technological level. We must use science and technology to arm and transform township enterprises. In places where township enterprises are fairly developed, attention should be paid to agricultural production. On the one hand, we must develop township enterprises; on the other hand, we must make full use of science and technology to strengthen agricultural production, develop industry to supplement agriculture, and boost both industry and agriculture.

Xu Shanlin said that when township enterprises have developed to a certain level, they must do the following: 1) decide on key products; 2) upgrade the management level of cadres and technological level of staff members and workers, and transform technological skills and equipment; and 3) strengthen lateral economic ties.

By visits and exchanging experiences, the participants further broaden their vision, emanicipate their minds, and strengthen their confidence. The 13 counties, districts, and townships where township enterprise income has exceeded 100 million yuan--Changan, Baoji, Huxian, Qishan, Weinan, Jingyang, Pucheng, and Fengxiang counties; Xian's (Weiyang), (Daoqiao), (Yanta) districts, and (Tanjia) Township; and Xianyang's (Qindu) District--made proposal to the meeting on launching a drive throughout the province this year of building counties where township enterprise income exceeds 100 million yuan.

The provincial government awarded silk banners to the 13 counties, districts, and townships.

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CSO: 4006/1035

SMALL-SCALE ENTERPRISES

HEILONGJIANG GOVERNOR ON DEVELOPMENT OF TOWNSHIP ENTERPRISES

SK111110 Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 10 May 86

[Text] In a speech at the provincial conference of directors of the bureaus in charge of township enterprises, Governor How Jie has urged all the staff members and workers of township enterprises throughout the province to have lofty ideals, work assiduously, and enable the total output value of the township enterprises throughout the province to reach approximately 10 billion yuan by the year 1990, which represents a 150-percent increase over that of 1985.

This conference was held in Zhaodong County by the provincial government, and it concluded on 10 May.

Thanks to our conscientious implementation of the four documents No 1 on rural work issued by the central authorities, profound changes have taken place in the rural economy, and township enterprises have also developed rapidly over the past few years. In 1985, the output value of the township enterprises of our province exceeded 4.5 billion yuan, registering a 57.9-percent growth over 1984. In the first quarter of this year, we still achieved fairly good results despite the influence of unfavorable factors, such as an acute shortage of funds. Compared with the same period of last year, the output value of the province's township enterprises grew by 33.7 percent, and the output of some major products also showed increases.

In order to fulfill this year's goal of achieving a 30-percent increase over last year in the output value of township enterprises, and in order to create favorable conditions for making the output value exceed 10 billion yuan by the year 1990, Governor Hou Jie urged: Leading persons at all levels should free themselves from the shackles of the traditional concepts on agriculture, and reorient their ideas toward the development of the commodity economy. They should render active support to the development of township enterprises, formulate rational plans for it, give correct guidance to it, and strengthen leadership over it. They should also help township enterpises define the direction and key areas of their development and make proper arrangements for them so as to acquire foresight and avoid ill-considered pursuits.

Governor Hou Jie also pointed out: In expediting the development of township enterprises, we should make a breakthrough by greatly developing the enterprises run by villages or households individually, or by several hous holds jointly. We should extensively organize various forms of associatio with the enterprises run by townships or villages leading those run by households either individually or jointly. In the meantime, township ente prises should also expand lateral economic ties to solve their problems in lacking technical know-how, in equipment and personnel, and in poor management, and to enhance their competence and competitive edges.

Governor Hou Jie also urged: In their efforts to develop township enterprises, all localities throughout the province should properly handle the relationship between equality and quantity, and between economic benefit and production growth rate. They should persistently strive to seek highe growth rate through increasing economic benefit, and higher quantity throu upgrading quality, and should produce more quality goods which is demanded by the market and which can yield higher economic benefit.

Speaking on how to serve the development of our province's township enterprises, Governor Hou Jie urged: All trades and professions and all departments should actively support the development of township enterprises with the principle of giving more service and less intervention. Proceeding from the need for cultivating tax sources, tax departments should work out as many preferential policies for township enterprises as possible. Industrial and commercial departments should relax restrictions on the scope of business of township enterprises and allow them to engage in diverse undertakings while focusing on one. Agricultural banks and credit departments should try their utmost to collect funds for township enterprises an help them use the funds flexibly. Supply departments should try their best to supply some raw materials to township enterprises. Various departments in charge of the production of various products should regard the support to township enterprises as their duty. Scientific and technological depar ments should conscientiously implement the spark plan, provide township enterprises with more scientific and technological findings which yield bet ter and quicker results, and actively render technical consultation and se vice to township enterprises.

Zhao Guozhen, director of the provincial township enterprise bureau, deliv a speech during the conference to sum up the previous work concerning towns enterprises. Participants to the conference also visited some township en prises in Zhaodong County.

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CONSTRUCTION

RURAL HOUSING PLANS DISCUSSED AT CONFERENCE

Nanchang JIANGXI RIBAO in Chinese 25 Mar 86 p 2

[Article by Sun Xizhen [1327 1598 3791] "Further Gearing To Serve the Mass of the People. Province's Town and Village Construction Industries To Make Further Improvements During Seventh 5-year Plan"]

[Text] The following was obtained from the Jiangxi Provincial Town and Village Construction Work Conference that concluded on 21 March 1986. While making further improvements, the province's town and village construction enterprises are gearing to serve the masses better, and substantial development will take place during the Seventh 5-year Plan. By the year 1990, urban networks that vary in size and that are distributed equitably will be formed around large cities throughout the province, and intensified construction of basic municipal government facilities in cities and towns will make difficulties in finding housing, in boarding transportation, in obtaining potable water, and having a poor environment things of the past. Every urban resident will have an average of 6 square meters of living space and the number of people carried per public transportation vehicle will decline from 3,175 to 2,460. Running water will be supplied to 95 percent of residents, up from the present 80 percent, and per capita use of water will reach 175 liters per day. Thirty percent of urban areas will be covered with greenery. Construction of peasant housing in rural villages is to be maintained at approximately 30 million cubic meters per year, and storied dwellings will gradually increase to approximately 20 percent of all peasant housing.

Deputy Provincial Governor Jiang Zhuping [5592 4376 1627] attended the conference and gave a speech.

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END

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China Report

ECONOMIC AFFAIRS

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TIANJIN'S LI RUIHUAN GIVES GOVERNMENT WORK REPORT

SK170500 Tianjin TIANJIN RIBAO in Chinese 30 Apr 86 pp 1-3

[Government work report delivered by Li Ruihuan, mayor of Tianjin Municipality, at the 5th Session of the 10th Tianjin Municipal People's Congress on 22 April, entitled: "Sum Up Experiences, Advance on the Crest of Victory, and Work Hard in Order To Comprehensively Fulfill the 'Seventh 5-Year Plan'"]

[Text] Fellow Deputies:

The 5th session of the 10th Tianjin Municipal People's Congress is of great significance for our municipality's socialist modernization. On behalf of the municipal people's government, I now submit a report on the situation of the implementation of the "Sixth 5-Year" Plan and on the principal content of the "Seventh 5-Year" Plan to the session for examination and approval by the present session.

On Reviewing the Work of the "Sixth 5-Year" Plan Period

The "Sixth 5-Year" Plan period was an extraordinarily transitional period in Tianjin's history. Conscientiously reviewing and summing up the work done in this period is of great significance for consciously applying the basic experiences gained in the "Sixth 5-Year" Plan period to work out the "Seventh 5-Year" Plan, to upgrade the work of the "Seventh 5-Year" Plan period to a new level, and to win new and greater successes.

In the beginning of the "Sixth 5-Year" Plan period, we had many problems demanding prompt solution, such as healing the wounds left over by the 10 years' turmoil and restoring the houses and facilities damaged by the strong earthquake. The various sectors of the national economy were seriously imbalanced. The industrial and agricultural output was experiencing slow development. Hundreds of thousands of people became temporary shack-dwellers due to the fact that we lagged behind in urban construction. More than 400,000 young people were waiting for jobs. We started to implement the "Sixth 5-Year" Plan under such a difficult situation. Thanks to the concerted efforts of the people throughout the municipality under the direct leadership of the municipal CPC Committee and with the profound concern of the CPC Central Committee and the State Council, we surmounted various difficulties and scored successes one after another during the past 5 years. With the successes in fulfilling all major tasks and targets set in the "Sixth 5-Year" Plan, a new situation in which all fronts were prosperous was created. With notable changes in the situation, Tianjin entered a period of greater vitality than in any other 5-year period since the founding of the PRC.

During the "Sixth 5-Year" Plan period, a sustained, steady, and coordinated development of the national economy was realized thanks to persistently focusing on economic construction and paying attention to increasing the economic results. In 1985, the total industrial and agricultural output value reached 32.7 billion yuan, showing an increase of 57.4 percent over 1980 and registering an annual average increase of 9.5 percent. Of this, the total industrial output value increased by 50 percent and the total agricultural output value increased by 140 percent. The GNP reached 16.86 billion yuan, an increase of 69.9 percent over 1980 and representing an average annual increase of 10.2 percent. The national income reached 13.9 billion yuan, an increase of 49.3 percent over 1980 and an annual average increase of 8.3 percent. Revenue reversed the trend of increasing and declining. In 1985, when the prices of some raw materials rose, the portion of profits obtained by the enterprises increased, and the loans returned to the relevant units by the enterprises increased, revenue reached 4.59 billion yuan (including the newly added urban maintenance and construction taxes totaling 179 million yuan). When calculated in terms of comparable standards, revenue in 1985 showed an increase of 21.1 percent over that of 1984. The industrial and agricultural output value, sales volume, and revenue increased at the same pace in 1985. The output of most of the major industrial products covered by the "Sixth 5-Year" Plan increased, and some doubled or quadrupled. When comparing 1980 and 1985, the output of pig iron increased from 450,000 tons to 816,000 tons, that of petroleum increased from 397 million tons to 3.75 million tons, that of cement increased from 626,000 tons to 1.050 million tons, that of plate glass increased from 355,000 standard cases to 1.175 million standard cases, that of soda ash increased from 427,000 tons to 514,000 tons, that of woolen goods increased from 7.7 million meters to 13.9 million meters, that of vehicles increased from more than 5,000 to more than 20,000, that of chemical fibers increased from 427,000 tons to 514,000 tons, that of bicycles increased from 2.93 million to 5.63 million, that of sewing machines increased from 420,000 to 1 million, that of wrist watches increased from 2 million to 4.32 million, that of television sets increased from 153,000 to 902,000, that of cassette recorders increased from 42,000 to 288,000, and that of cameras increased from 12,000 to 120,000. Tianjin ranked higher than in the value of industrial output of some products.

During the "Sixth 5-Year" Plan period, we strengthened our readjustment work, and the production setups and product structure became more rational. While developing the primary and secondary industries, we adopted supportive and preferential policies to boost the development of the tertiary industry; persisted in encouraging the state, the collective, and the individual units to participate in the work; and witnessed a vigorous development in the commercial, banking, information, consultation, and service departments. The proportion of tertiary industry in the gross national product rose from 23.7 percent in 1980 to 27.2 percent in 1985. In the industrial sector, we vigorously developed the production of consumer goods for daily use; shut down and suspended the operation of some heavy industrial enterprises that lacked prospects for development, amalgamated them with other enterprises, and switched them to the manufacture of other products; worked out overall plans for the development of 18 consumer products such as bicycles, household electrical appliances, chemicals for daily use, and foodstuffs, as well as 5 other supportive trades; and created a number of quality brand-name products. Meanwhile, we also readjusted the service orientation of heavy industry, vigorously provided technology and equipment for the light and textile industries and other trades, strengthened the production of basic raw materials, and basically stabilized the ratio of light industry to that of heavy industry at 55 percent to 45 percent. In the agricultural sector, we based our work on "serving the city and making the peasants rich"; persisted in comprehensively developing agriculture, forestry, animal husbandry, sideline occupations, and fisheries, and operating the agricultural, industrial, commercial, transport, and building industries in an all-round manner; and greatly raised the commodity rate. In the total agricultural output value, the proportion of forestry, animal husbandry, sideline occupations, and fisheries (including the village-run industries) rose from 64.6 percent in 1980 to 79.2 percent in 1985. The output value of town-run and township enterprises reached 4.45 billion yuan, accounting for 68.5 percent of the total product of the rural society, and became an important force for vitalizing the rural economy.

During the "Sixth 5-Year" Plan period, we firmly grasped the technological transformation of the existing enterprises, and remarkably strengthened the economic forces. The municipality as a whole invested 6 billion yuan in the technological transformation of the industrial departments, which accounted for 60 percent of the total industrial investment in fixed assets, completed 68 key capital construction and technical projects, upgraded the quality of 26 key products, and developed some competitive products and products in short supply, as well as some export products. Through technological transformation, we expanded the production capacity of steel by 460,000 tons, pig iron by 250,000 tons, crude oil by 1.75 million tons, limestone for making cement by 900,000 tons, aluminum products by 8,600 tons, sodium carbonate by 120,000 tons, polyester flax by 80,000 tons, black and white kinescopes by 1.44 million, high- and medium-grade cigarettes by 350,000 boxes, and woolen spindles by 42,000. Through transformation, we increased economic results. According to an initial estimate, after putting all the 26 key products into production, we will increase the output value by 5.7 billion yuan and taxes and profits by 1.5 billion yuan, and create some $380 million in foreign exchange. Judging from the projects which had passed the acceptance tests, the ratio of input to output was 1 to 3 and the ratio of input to profits and taxes was 1 to 0.6. Through technological transformation, we raised our technical level. Since 1983, by using the foreign exchange we are entitled to use, we have imported foreign advanced equipment, carried out scientific research projects, transformed more than 100 production lines, upgraded and updated some outdated products, developed some new products, and made it possible for the quality of some 10,000 products, including engineering machinery products, motor vehicles, electric pumps for oil extraction [qian you dian beng 3383 3111 7193 3119], chain-type oil extractors, a laser microscopic system [ji guang chao suo wei xi tong 3423 0342 6389 4799 1792 4762 4827], and radios and television sets, to attain the domestic pioneering standards or the international advanced level. Through transformation, we strengthened the building of some basic links, and raised the levels of some basic technologies, raw materials, and component parts, which played a good role in improving the functions and quality of products and accelerating the pace of domesticizing the imported products.

During the "Sixth 5-Year" Plan period, we carried out the economic structural reform in a persistent and steady manner, thus increasing vitality and vigor in the various sectors of the national economy. In the rural areas, a decisive success was won in the first stage of reform focusing on the institution of the household output-related contract responsibility system, and we entered the second stage focusing on stimulating the development of commodity production. Through the abolishment of the systems of monopolized and fixed-quota purchases, the readjustment of the rural production setup, and the clearance of the circulation channels between the urban and the rural areas, the rural economy was reoriented toward specialized, commodity, and modern production. Commodity rate of farm and sideline products reached 77 percent, 10 percent higher than in 1980. In the urban areas, the reform focusing on invigorating enterprises is being carried out in an all-round manner. Industrial enterprises have been allocated with greater decisionmaking power to allow them to enjoy more rights and interests in planning, pricing, supply and marketing, and personnel management. The second step of tax reform changing profit delivery into tax payment was completed at large and medium-sized enterprises, and some small state enterprises were turned into ones "owned by the state, and operated by the collective, which should pay taxes according to regulations, and be responsible for their own profits and losses," thus sparking the enthusiasm for production and operation. Various forms of economic responsibility systems were extensively enforced within enterprises, which began to break with the egalitarian way of distribution, and aroused the labor initiative of the masses of staff members and workers. Construction departments introduced the bidding system and the system of signing contracts to fix the amount of wages for every 100 yuan worth of finished work to spur enterprises to strengthen their operation and management. In general, the construction period was cut by 30 percent and construction costs by 5 to 10 percent. Transportation departments changed their monopolized operation, and transportation undertakings run by collectives and individuals were developed to make up for the shortage of means of transportation. After the reform of the management system, Tianjin Harbor expanded its power and enhanced its vigor, thus greatly improving its loading and unloading efficiency, and alleviating the delay in loading. Sales departments eliminated the system of establishing wholesale units according to administrative levels; set up a group of trade centers, trade warehouses, and wholesale markets; and experimented with the system of combining industry and commerce into one in the textile, medical, and silk production trades, thus reducing the intermediate links, increasing the circulation channels, and promoting commodity exchanges. In the reforms of the price and wage systems, we followed the arrangements of the central authorities, and took an important step forward. After last May, when the plan for the price reform was promulgated, vegetables, meat, fish, poultry, and eggs were abundant, their supplies were normal, and their prices were basically stable. The first phase of the wage reform of government organs and institutions, and the coordinated wage reform of enterprises had been, by and large, completed by the end of 1985, and the wages of the masses of staff members, workers, and cadres were raised by varying degrees. In the field of lateral economic cooperation, we adhered to the principle of equality, mutual benefit, mutual supply of what is needed, learning from others' strong points to offset our weaknesses, and common development; established economic cooperative relations with more than 300 enterprises of 28 provinces, municipalities, and autonomous regions; discussed and reached agreements with 28 provinces, municipalities, and autonomous regions on more than 4,500 scientific and technological cooperation projects; and established ties with some colleges and universities of 17 provinces and municipalities in order to mutually train students. Through cooperation, our municipality's acute shortage of energy resources and raw materials was alleviated, the supply of goods for exports increased, and exchanges in science and technology and personnel were expanded. In addition, marked results were also achieved in the reform of the systems of districts and neighborhoods, and districts and neighborhoods played an important role in building and managing the city and arranging the daily lives of the people.

During the "Sixth 5-Year" Plan period, we conscientiously implemented the principle of opening to the outside world, and opened up a new situation in foreign economic and technological exchanges. Foreign exchange earned from exports showed a substantial increase. Under the circumstances in which more ports were opened throughout the country and goods shipped in from other areas declined by a large margin, the accumulated volume of exports of Tianjin Harbor reached $6.78 billion, registering a 35.6-percent increase over the "Fifth 5-Year" Plan period. Great changes also took place in export product mix, with the proportion of industrial goods being increased gradually, and some machinery and electrical products beginning to enter the international market. At the same time, nontrade foreign exchange earnings, such as earnings from tourism, also increased every year. Encouraging results were achieved in the imports of advanced foreign technologies. By the end of 1985, we had signed contracts with foreign countries for 574 projects, involving $530 million. Of these projects, 288 were completed and went into operation, and can create 3.3 billion yuan in output value and $150 million in foreign exchange through exports every year. More than 80 percent of these projects reached the foreign technological levels of the late 1970's and early 1980's. Fairly rapid progress was made establishing Chinese-foreign joint ventures. By the end of March 1986, we had signed contracts with 13 countries and regions, including Japan, the United States, Britain, France, and Hong Kong, for 153 joint venture projects involving a total investment of some $460 million, of which 47 percent was foreign capital. Fifty-eight joint ventures have opened business, and most of them achieved very good economic results and a balance in foreign exchange with some surplus. After more than 1 year of construction, the infrastructure in the first area to be developed in the economic and technological development zone took initial shape, and was provided with the conditions for accepting foreign funds. By the end of last year, contracts for 20 joint venture, cooperative, and import projects had been officially signed, with the total investment reaching $470 million. In addition, we established six joint ventures for production and management in Pakistan, North Yemen, Venezuela, Canada, and the United States, undertook a group of foreign engineering projects, and developed labor service cooperation.

During the "Sixth 5-Year" Plan period, we persistently considered the development of science and education a strategic focus, and thus achieved marked results in technological progress and intellectual development. We sparked the enthusiasm of the masses of intellectuals by conscientiously implementing the policy on intellectuals and the guidelines of the decisions on reforms of science and technology and educational guidelines issued by the central authorities. Education funds increased. In the 5-year period, spending on education reached 970 million yuan, 75.88 percent more than in the "Fifth 5-Year" Plan period. Carrying out the principle of serving economic construction, scientific research departments organized various forms of associations engaged in both scientific research and production, exerted concerted efforts to tackle major technical difficulties, developed scientific and technological markets, and carried out paid transfer of scientific research findings. More than 60 percent of the scientific research findings have been applied, thus promoting industrial and agricultural production and various undertakings. During these 5 years, 1,928 major scientific and technological achievements were scored in industry, agriculture, new technologies, and basic research. Of these achievements, 31 won the national invention award and 5 won the international invention award or gold and silver medals at exhibitions of new technologies. Among the 105 scientific and technological achievements China placed on display to be transferred at Japan's international exposition, 27 came from Tianjin. Social science workers actively carried out their research work in close coordination with the building of the two civilizations, and scored some achievements. Adhering to the principle of gearing education to the needs of modernization, the world, and the future, education departments actively implemented the education reform, strived to improve the educational quality, and developed schools of various categories at various levels. Primary school enrollment rate of school-age children reached 99.26 percent. Secondary vocational and technical education developed rapidly, and the number of students studying at secondary vocational and technical schools amounted to 45 percent of the total number of students of the schools equivalent to senior middle schools. Higher education was gradually improved. Commercial, agricultural, and science and engineering institutions were established, and some urgently needed specialities were set up. During the 5 years, the students studying at full-time schools increased by 50 percent, and the number of postgraduates increased by 410 percent. Adult education was carried out extensively. During the "Sixth 5-Year" Plan period, basically all young staff members and workers attended classes aimed at improving their general and technical knowledge, and more than 40,000 people were studying at higher educational television, spare-time, radio, and correspondence schools, showing a 290-percent increase over 1980. As a result of several years of advocation, urban and rural areas throughout the municipality launched activities to support education, the common practice of respecting teachers and stressing education was initially established, the status of teachers was greatly raised, and the conditions for running schools improved noticeably. In addition, new achievements were also scored in culture, public health, sports, press, publication, radio and television broadcast, and family planning.

Thanks to the strengthening of urban construction and management, the functions of urban areas have been improved by a big margin during the "Sixth 5-Year" Plan period. The completion of the project for diverting the Luan He water to Tianjin with an annual water supply capacity of 1 billion cubic meters has provided Tianjin with a reliable water source as well as a complete water diversion system. Thus, the problems of lacking water for production use and the people having salt water were eliminated. The newly added daily water supply capacity reached 230,000 tons with the completion of the newly built and expanded water works. Conditions for water supply have been improved and more and more places with high-pressure hydraulic power have been provided with water. Thanks to building and renovating drainage pipelines and pumping stations and excavating sewage disposal conduits, the drainage capacity increased. With regard to environmental protection, the three giant dragons that were sending out "yellow, white, and black" smoke have been handled. The Jizhuangzi sewage treatment plant was completed, 63 factories and workshops with serious pollution were moved to other places or were transformed, 217 units that created noise disturbing the people were brought under control, and the smoke and dust from more than 1,700 boilers and kilns were eliminated. Thus, our environmental sanitation has been improved. With regard to transportation and communications, the western section of the central ring road and the Jintangshugang road have been built, some main roads in urban areas have been expanded; a number of brigades have been repaired and built, subways have been opened to traffic, and the Ligang railway line has been expanded. Thus, the transportation situation has been improved. The loading capacity of Tianjin Harbor increased by a big margin thanks to the completion of six 10,000-class berths and the first container wharf in our country, and the renovation of some loading and unloading machines. Conditions have been created for opening the lower reaches of the Hai He to traffic, building factories in the areas along both sides of the river, and having the railways cross the river through building two sluice gates and the Haihe Bridge. Simultaneously, postal and telecommunications facilities have been improved thanks to 45,000 newly added telephone switchboards and the newly built long-distance telecommunications pivots. With regard to renovating the appearance of the municipality, the shacks built for temporary use and a large number of building that were not built in line with the regulations have been dismantled, hundreds of streets and roads and some buildings of artistic style have been renovated, and some ancient buildings in Jixian County, including the Great Wall and some cultural streets, have been repaired. Simultaneously, we also firmly attended to afforestation. The appearance of the municipality has been beautified through the building and repairing of some parks, grasslands, and small public courtyards with flowers and trees. All this has helped improve the conditions for production and livelihood and create favorable conditions for further opening to the outside world.

Thanks to continuing to do real deeds for the people with all our hearts, the people's livelihood has notably been improved during the "Sixth 5-Year" Plan period. Comparing 1980 with 1985, the per capita income of the urban people increased by 65 percent. Adjusted for prive hikes, the average annual increase of the per capita income of the urban people was 7 percent. The per capita net income of the peasants was doubled and the average annual increase of their income was 15.2 percent. The savings deposits of the urban and rural people increased by 270 percent. Besides, a large number of jobless people have been employed through different channels. The situation of having many people waiting for jobs was basically eliminated. In terms of the market supply situation, the total volume of retail sales of commodities increased by 83.9 percent over the past 5 years, showing an average annual increase of 13 percent. Great changes have taken place in the people's consumption structure. At present, the people are particular about food nourishment, beautiful clothing, and expensive consumer goods. The number of expensive durable consumer goods owned by households, such as television sets, cassette recorders, and refrigerators, increased by a big margin. During the "Sixth 5-Year" Plan period, houses occupying more than 17 million square meters of floor space were built in the urban areas, 2 million square meters of floor space more than the total figure of the 32 years before this period. The strain on housing was alleviated thanks to rebuilding houses that leaked and some dangerous and shabby houses. The people's housing conditions have been improved. The per capita housing areas of the rural people increased from 10 square meters of floor space to 14.5 square meters. In terms of the construction of service facilities, food streets, commercial streets, and a large number of commercial networks have been built, farm products trade markets have been set up, public transportation service lines have been expanded, more than 6,000 sickbeds and 140,000 family sickbeds have been added, and a large number of public toilets have been set up. Thus, the people's difficulties in "purchasing goods," "taking a car," "being hospitalized," and "finding a toilet" have been alleviated to varying degrees. The changes and improvements in the people's livelihood in this period have rarely been seen since the founding of the PRC.

During the "Sixth 5-Year" Plan period, we persisted in grasping the two civilizations simultaneously and unceasingly strengthening the building of the spiritual civilization. In the past few years, the municipality as a whole persisted in upholding the four basic principles and conducting education on ideals, morality, culture and the sense of discipline, and extensively launched the activities on "five stresses, four beauties, and three loves," and on implementing the "rules for citizens." In line with their own characteristics, all fronts also launched activities on vying to be the civilized units, villages and towns, and five-goods families as well as the army-people joint activities to build the spiritual civilization. The ideological and political awareness as well as the morality of the people continued to be enhanced, and the spirit of self-respect, self-esteem, and a sense of pride were gradually formed among the people throughout the municipality. The literary and art circles strived to adhere to the orientation of serving socialism and the people, and created a number of fairly good spiritual products. Meanwhile, we carried out struggles to deal severe blows to serious criminal activities and economic crimes, destroyed some vile and very harmful criminal cliques, seriously and promptly punished some criminals in accordance with law, strengthened the consolidation of social order and the comprehensive tackling of public security problems, and redeemed a number of misguided youths. At present, social order has improved remarkably, and the people have a sense of safety. Tianjin became one of the areas in China with fairly good public security.

During the "Sixth 5-Year" Plan period, we fulfilled the reconstruction task after the earthquake, and formulated an overall plan for urban development. The serious earthquake in 1976 brought great damages to our municipality, directly incurring some 3.9 billion yuan of economic losses. At that time, some 60 million square meters of houses were destroyed, of which some 16.8 million square meters of houses were residential houses, accounting for 70 percent of the municipality's total residential housing areas. Under the cordial concern of the CPC Central Committee, and the vigorous support of the fraternal provinces, cities, prefectures, and the PLA, the people throughout the municipality displayed the indomitable spirit that man can conquer nature, and launched an extremely hard and bitter struggle in an effort to restore production and to rebuild their homes. In the past 10 years, we repaired and reinforced some 800,000 houses with a total area of more than 14.4 million square meters, newly constructed some 22 million square meters of residential housing, and repaired and rebuilt a great number of houses belonging to the enterprises and establishments, roads, bridges, pipes, telecommunications lines, and some urban public facilities, which were damaged in the earthquake. The once desolate scene of broken walls and devastation after the earthquake is now putting on an entirely new outlook. In the course of rebuilding houses after the earthquake, the central authorities allocated special funds of some 4.7 billion yuan for this purpose. Together with the funds raised by the local governments, the total investment in this field reached some 5.79 billion yuan. At present, such a task has been successfully completed and Tianjin municipality's urban construction has begun to embark on a normal path. Last year, based on the original work, we organized the forces from all quarters to formulate the municipality's overall plan which was discussed and adopted at the 3d session of the 10th Municipal People's Congress. This overall plan defines Tianjin's nature, scope, and layout, and portrays a magnificent blueprint for building Tianjin into a new place with socialist modernization. Meanwhile, Tianjin's economic construction and urban construction are being gradually carried out in line with this overall plan.

Fellow deputies, the achievements and changes during the "Sixth 5-Year" Plan period were victories that came from our efforts to proceed with the work from Tianjin's actual situations and our conscientious implementation of the central line, principles, and policies as well as the results of the broad masses of people's hard struggle and their spirit of being the masters of the state. While fully affirming the achievements, we should also sobermindedly note that there are still some mistakes and defects in our work. There are still many problems in handling the relations between controlling the macroeconomy and enlivening the microeconomy. The production setups and the product structure are still far from being rational and the quality of some enterprises is still low. Their product quality is low and their economic results are not ideal. The urban infrastructure is fairly backward and the urban management work lags behind other places and is far from meeting the needs of economic development. We are comparatively weak in carrying out ideological and political work and the unhealthy trends are still far from being checked with vigorous efforts. All these should merit our full attention. The achievements and experiences gained during the "Sixth 5-Year" Plan period are the favorable conditions for implementing the "Seventh 5-Year" Plan, and the mistakes and defects during that period are the problems which we should vigorously solve during the "Seventh 5-Year" Plan period. We should conscientiously, realistically sum up the work experiences gained in the "Sixth 5-Year" Plan period, and persist in accurately correcting mistakes in an effort to better carry out the tasks for the "Seventh 5-Year" Plan period and to score greater achievements.

An Explanation on the "Seventh 5-Year" Plan

The formulation of the draft "Seventh 5-Year" Plan of Tianjin Municipality began in late 1982 in line with the unified arrangements of the State Council. In the course of the formulation, we gave heed to the opinions of relevant departments and experts of various fields extensively, carried out repeated economic and technological appraisals, and comparisons of many plans, and, on this basis, drew up the preliminary draft of the "Seventh 5-Year" Plan. Later, in line with the CPC Central Committee's proposal for the "Seventh 5-Year" Plan, and the guidelines of the Fourth Session of the Sixth NPC, we revised it once again, and worked out Tianjin Municipality's draft "Seventh 5-Year" Plan to be submitted to this session for examination and discussion.

The "Seventh 5-Year" Plan period is a very important historical period. According to the strategic objective set forth at the 12th National Party Congress, our municipality should quadruple its industrial and agricultural output value by the end of this century on the premise that economic results are improved continuously, and, according to the requirement of the overall plan for Tianjin Municipality, should gradually become a comprehensive industrial base with advanced technologies, an open, multifunctional economic center, and a modern international port city. The fulfillment of this grand strategic goal is decided, to a very large extent, by the work of the "Seventh 5-Year" Plan period. These 5 years should be a period for greatly readjusting production structure and product mix, for strengthening key construction projects and technical transformation, and for laying a solid material foundation for the future economic revitalization. They should also be a period for actively developing science and education, for accelerating the development of intellectual resources, and for accumulating forces in the field of personnel for the future technological progress. More importantly, they should be a period for carrying out in-depth economic structural reform, expediting a change of old system into new ones, and basically bringing into balance the relations between the various sectors of the economy. In addition, they should be a period for greatly reinforcing the urban infrastructure, improving the comprehensive functions of the city, and building the frames for the fulfillment of the urban overall plan.

Such a specific historical position of the "Seventh 5-Year" Plan period requires us to follow the following guiding principles when formulating and implementing the "Seventh 5-Year" Plan: It is necessary to place reform above everything else, and properly handle the relationship between reform and construction so that they can coordinate and promote each other. It is necessary to properly handle the relationship between growth rate and economic results while focusing on improving economic results, and guarantee a sustained, stable, and coordinated development in our municipality's economy. It is necessary to persistently rely on science and technology when carrying out economic construction, gear science and technology to the needs of economic construction, combine science and technology with economic construction closely, and promote economic and social development through scientific and technological progress. It is necessary to greatly strengthen the building of the socialist spiritual civilization while promoting the material civilization, and make sure that the four modernizations proceed along the socialist orientation. It is necessary to pay close attention to showing concern for and improving the people's living standards on the basis of developed production, and enable production and construction to progress in a coordinated manner together with the improvement of the people's living standards.

In line with the arrangements of the state's "Seventh 5-Year" Plan, and the actual conditions of our municipality, our major tasks and fighting goals during the "Seventh 5-Year" Plan period will be as follows:

We should maintain a definite economic growth rate, and double the industrial and agricultural output value, the GNP, and the national income by 1990. The draft "Seventh 5-Year" Plan stipulates that in 5 years the industrial and agricultural output value should increase by 34 percent, averaging an annual increase of 6 percent; the GNP should grow by 40 percent, averaging an annual increase of 7 percent; and the national income should increase by 34 percent, averaging an annual increase of 6 percent. By 1990, the industrial and agricultural output value should reach 43.8 billion yuan, 110 percent more than in 1980; the GNP should reach 23.65 billion yuan, 130 percent more than in 1980; and the national income should reach 18.6 billion yuan, 100 percent more than in 1980. The accumulated revenue during the 5 years should be 27.8 billion yuan, an increase of 30 percent over the "Sixth 5-Year" Plan period in terms of comparable standards. The volume of exports through the port will continue to grow. Of this, the volume of export goods supplied by our municipality will reach $4.8 billion, representing a 30-percent increase over the "Sixth 5-Year" Plan period.

We should develop the production of highly competitive products, and establish 10 key trades. By late this period, the number of the products which can produce more than 100 million yuan of output value annually will increase from the present 41 to 64, that of the products which can produce more than 50 million yuan of profits and taxes annually will increase from the present 27 to 44, that of the products which can create more than $5 million of foreign exchange a year will increase from the present 25 to 50, the proportion of the technology intensive trades will grow from the present 18.8 percent to 23.1 percent, and the proportion of the new industries will go up to 1.7 percent from the present 0.7 percent. We should achieve a great development in the complete sets of equipment composed of machinery and electrical instruments, and serialized products. We should be ranked among the best of the country in the output and quality of minivans, tractors, forklifts, elevators, soda ash, caustic soda, dyestuff, metal products, duplicators, color televisions, cameras, bicycles, wrist watches, woolen piece goods, and sports goods. We should initially establish 10 key trades--the auto industry, equipment and machinery for energy and other industries, electronic industry, basic and refined chemical industries, quality rolled steel and metal products, new building materials, household electric appliances, machinery for daily use, garment and woven articles for decoration use, and food industry.

We should actively develop the coastal areas, and gradually move key industries to the eastern part of the municipality. According to the urban overall plan, during the "Seventh 5-Year" Plan period, we will establish a new metallurgical industrial area in the northern bank of the lower reaches of Hai He by building large enterprises, such as a seamless steel tubing mill, and a copper smelting plant; and gradually turn the southern bank of the lower reaches of Hai He into export-oriented industrial base by expanding the Zhenhua Woolen Mill, the Liulin Woolen Mill, and the branch of the No. 3 Cotton Mill. In Tanggu and Hangu districts, we should complete the reconstruction and expansion of such large enterprises as the Tianjin Soda Plant, the Dagang Chemical Works, and the Tianjin Chemical Works, expand the crude salt production capacity of the Tanggu and the Hangu Salt Plants, and give play to the advantage of the marine chemical industrial area. In the Dagang District, we should continue to increase the crude oil production capacity, perfect the intensive processing of oil refineries, complete the long-staple chemical fiber project, renovate the natural gas separating equipment, and set up a basic frame for the petrochemical area. In the economic development zone, the construction of the 3-square-km industrial area, and the 1.2-square-km living compound should be completed, and a group of China-foreign joint ventures, cooperative enterprises, and enterprises run exclusively with foreign investment should be established. By 1990, the industrial production capacity of the entire coastal area should reach 10 billion yuan, doubling that of 1985.

We should greatly improve the functions of the city, and make the electricity supply, and transport facilities "basically compatible with the functions." During the "Seventh 5-Year" Plan period, we should continue to greatly strengthen the construction of urban infrastructure in line with the overall plan. We should study the comprehensive development and utilization of the water resources of our municipality, and achieve a balance in the supply and demand of the water resources. The Xinkaihe and the Lingzhuang water works should be expanded to make their daily water supply capacity reach 1 million tons. We should renovate the water drainage facilities of the five large areas where such facilities are poor, prepare and establish the Dongjiao sewage treatment plant with a daily capacity of 400,000 tons, improve the auxiliary environmental sanitation facilities, accelerate the treatment of waste gas, waste water, and industrial residues, and improve the quality of environments. We should reconstruct and expand the No. 1 thermal powerplant, and the Junliangcheng, Dagang, and Yangliuqing powerplants, and newly build the Jixian county powerplant, and the Chentangzhuang thermal powerplant. The total construction scale will be 3.22 million kilowatts, the newly added power generating capacity will be 1.07 million kilowatts, and by 1990 the installed capacity of the whole municipality will reach 2.37 million kilowatts. We should build the inner, central, and outer ring roads, and some dozen main roads spreading from the ring roads, expand a group of sections where traffic jams often occur, newly build and rebuild a number of bridges, continue the construction of the subways, and establish an urban road network in its initial shape. We should renovate the Tianjin bus terminal, do a good job in the auxiliary projects for the railway hub, and extend the local railways. We should complete the construction of the Tianjin section of the Beijing-Tianjin-Tanggu expressway, and renovate 5 state-level roads, and 22 municipality- and county-level roads. We should renovate the Zhangguizhuang airport for civilian use, and open new scheduled flights. We should expand the Xingang port in Tanggu, develop the lower reaches of Hai He, and build a number of berths to increase the port cargo handling capacity by 55 percent. By 1990, we should basically build a comprehensive communications and transportation network with coordinated roads, railways, waterways, and air routes.

We should vitalize the scientific and technological educational undertakings and achieve "increases in the four aspects." During the "Seventh 5-Year" Plan period, the local authorities should allocate 1.7 billion yuan of funds for developing educational undertakings, showing an increase of 79 percent over the "Sixth 5-Year" Plan period, and greatly exceeding the growth rate of financial revenue. We should establish a science village, initially form a new system which closely combines scientific research with production, and complete 800 key joint research projects, showing an increase of 53 percent over the "Sixth 5-Year" Plan period. We should also gradually popularize the 9-year compulsory educational system. By 1990, the suburban counties should make junior middle school education universal and the urban areas should make the senior middle school education universal and the student body of higher educational institutions, secondary vocational schools, skilled workers schools, and vocational schools should reach 189,000, an increase of 66 percent over 1985. In the coming 5 years, we should train 200,000 students of secondary vocational schools of various branches of learning, an increase of 70 percent over the "Sixth 5-Year" Plan period.

We should vigorously develop the tertiary industry and gradually form "five centers." During the "Seventh 5-Year" Plan period, we should speed up the development of the tertiary industry which directly serves production and the people's livelihood. By 1990, the proportion of output value of the tertiary industry to that of the GNP should rise from 27.2 percent in 1985 to 31.4 percent. The banking, insurance, and credit businesses should be developed and the banking units should be readjusted and improved. We should increase the capacity of city and long-distance telephones and telecommunications, and apply modern means such as computers to form an economic information network. We should establish fully-equipped large and comprehensive wholesale markets for the means of production, and economic and technical cooperation centers, set up three wholesale commercial areas in Dongjiao, Xijiao, and Beijiao Districts, newly build a number of high- and medium-grade guesthouses, establish and improve commercial streets, food streets, and hotel streets with their own characteristics in accordance with the functions and needs of the urban divisions, open up tourist areas in Jixian County and Tanggu District, and actively create various conditions for attracting domestic and foreign traders. Meanwhile, we should also strengthen the construction of communications, transportation, scientific and technological, and educational facilities, and lay a good foundation for developing the municipality's "five centers" including communications, trade, banking, information, science, and education.

We should continue to improve the people's livelihood, and achieve "improvements in the eight fields." First, the actual consumption level of the urban and rural residents should show an annual increase of 5 percent in the next 5 years. Second, the urban areas should build 15 million square meters of new residential houses, and the housing conditions should be improved continuously. Third, the gasification projects should be completed so that gas supply for the urban residents will be basically realized. Fourth, a number of thermal power plants should be built, the geothermal energy resources should be tapped and the heating system projects should be completed so that the heating supply rate of the residential housing will reach 40 percent or more.

Fifth, we should increase the production of nonstaple foodstuffs, and guarantee the supply of vegetables, meat, eggs, poultry, and milk. By 1990, the average per-capita supply of aquatic products of the urban residents should reach 16 kg or more. Sixth, we should plant trees and beautify the city, newly build and transform some parks, afforested land, and tourist sports, build a green belt surrounding the urban areas, and raise the urban forest coverage from 9.5 percent to 15 percent. Seventh, we should complete the new construction and expansion projects of five major hospitals, including the No. 1 hospital attached to the Tianjin hospital, and the No. 1 hospital attached to the college of traditional Chinese medicines, improve some specialized hospitals with various characteristics, reinforce the district- and county-level health units, form a three-level health network for disease prevention and treatment, increase the number of hospital beds by 5,000, and improve conditions for health and medicine undertakings. Eighth, we should develop towns in the suburban counties in line with the plan, develop public welfare undertakings in the rural areas, build roads to connect with villages, ensure water supplies to every household, form a network of post and telecommunications, and build supportive service facilities in an effort to remarkably improve the outlook of villages and towns, and make the livelihood of the peasants more convenient.

The objective defined in the "Seventh 5-Year" Plan is grand and the tasks are heavy and arduous, which need the concerted efforts of all the people throughout the municipality to do the following six fields of work well:

1) We Should Firmly Grasp the Readjustment of the Industrial Structure

During the "Seventh 5-Year" Plan period, Tianjin should keep its industrial growth at a certain rate, and lay a good foundation for the second 10 years. The key to achieve this is to form a comparatively rational trade structure and a product structure. To this end, on the one hand, we should conscientiously grasp the construction of newly constructed, and expansion key industrial projects. On the other hand, we should exert efforts to grasp the industrial readjustment work and the construction of industrial basic links.

The guiding ideology for readjusting the industry during the "Seventh 5-Year" Plan period are as follows: We should proceed from developing key trades, fist products and new industries, and take advantage of favorable conditions and avoid weakness in order to make the most of our own advantages. We should carry out an overall strategy to rationalize the structure of the product variety, the technological structure, the energy resources structure, and the marketing structure. We should adopt various measures to develop key technology and capital and labor intensive products and to gradually increase the production of technology intensive products. In line with this guiding ideology, we should take the path of "vacating the birdcage for a new bird" to readjust the industry. That is, we should close, suspend, merge or reorganize the enterprises that score poor economic results, have poor technological level, or fail to find markets for their products, or whose energy and water consumption volume is excessively high; and then use the workshops of these enterprises and concentrate labor forces, funds, energy resources, and materials on developing the products in short supply, the products with higher technological level, export products, new products, and the products that can create greater economic results, find good markets, or have prospects for development. We should extensively put these products into mass production and upgrade their quality. We should link the industrial readjustment with technological transformation and technological import. The enterprises with the capacity to promote the development of the whole trade should be armed with advanced technology. Through eliminating the barriers between different trades, between different departments, between different regions, between the army and the civilians, between the urban and rural areas, and between different sectors of ownership, we should link the production of major products with that of subsidiary products, and combine the manufacture of main engines with that of component parts. We should strengthen the construction of basic technology, basic materials, and basic component parts in order to closely combine the construction of basic industrial links with industrial readjustment. Through readjustment, we should set up a technologically advanced, economically reasonable industrial structure with strong adaptability and other special characteristics; and establish a group of industrial enterprises focusing on producing key products.

We must carry out the industrial readjustment in a planned and organizational manner since it is extremely complicated and painstaking. We should eliminate the thinking of department ownership, foster an idea of taking the whole situation into consideration, work out an overall plan for the industrial readjustment, and carry out the plan by stages and in groups. Strong leading organs should be organized to study ways for solving the problems in the readjustment, and to work out appropriate policies and measures to ensure a rapid and steady progress of the readjustment work.

2) Expand the Economic Exchange With Foreign Countries

Tianjin is one of the coastal open cities in our country. Thus, during the "Seventh 5-Year" Plan period, Tianjin should further implement the policy of opening to the outside world, and strive to expand export and import technology in order to serve the development of the national economy.

Increasing export and the capacity of creating foreign exchange is a prerequisite condition for using more foreign capital and importing more technological items. So we must foster a strategic idea of using foreign capital and imported technology to promote export, making export promote import, linking export with import, and making export volume higher than import volume. We should change the structure of export products in a step-by-step manner; enthusiastically develop expensive durable consumer goods, fine chemical industrial products, high-grade building materials, machines and electronic products as well as develop such export products as traditional light and textile products and farm and sideline products in order to gradually provide the international market with a number of fist products with competitiveness. While reasonably readjusting the export production structure, we should gradually establish and improve the export production system in line with the industrial readjustment by setting up a number of factories and workshops specializing in the production of export products and a number of "trade-industrial-agricultural" export bases. In terms of improving the management of foreign trade, we should adopt various methods and open up various channels to set up and improve marketing, information, and service networks in foreign countries in a step-by-step manner. While consolidating the original export markets in Hong Kong, Japan, and Southeast Asia, we should further open markets in European countries and the United States. We should vigorously develop tourist trade, contract for undertaking foreign projects, and provide more labor service for foreign countries in order to increase the nontrade foreign exchange earnings.

We should vigorously expand the scope of using foreign exchange and do a better job in importing advanced technology, It is necessary to import technology in a planned manner and to prevent blind actions and duplicated imports. We should combine the work of importing technology with that of transforming the technology of the existing enterprises and of organizing scientific and technological forces to "tackle difficult technical problems," and strive to raise the production and technical levels of the existing enterprises within a short period of time. We should pay attention to importing software, competent personnel, key equipment, and modern management knowledge, and do a good job in conscientiously digesting and absorbing the import technology and creating the new in order to speed up the realization of domesticization. We should use foreign funds through various channels and forms and adopt various methods to establish joint ventures and to carry out cooperative production so as to better absorb the latest foreign technology, to transplant the advanced operational and managerial experiences, to unceasingly expand exports and to raise our capability to create foreign exchange.

The economic and technological development areas should adhere to the principle of giving priority to developing industry and technology-intensive industries, creating foreign exchange through exports, and directly using foreign capital, should speed up the construction rate and ensure the quality of projects so that they will soon become windows for importing technology, knowledge, and management experiences and for studying foreign policies.

3) We Should Improve the Infrastructure of the Urban Areas

In order to meet the needs of economic construction, opening to the outside world, and displaying the role of the central cities, during the "Seventh 5-Year" Plan period, we should achieve big progress in developing the infrastructure of the urban areas and greatly enhance the city functions.

We should build the infrastructure of cities in line with the requirements of the urban overall plan. It is necessary to pay attention to the immediate interests as well as long-term interests, work out unified plans, and comprehensively develop all fields. The present construction projects should serve as a foundation for future development and by no means should we create obstacles. Some of the construction projects should serve as the organic components of the overall plan and by no means should they contradict or dislocate with one another. The infrastructure of cities is a complicated system engineering which embraces all fields of work including communications, telecommunications, energy, water supply and drainage, environmental protection, environmental hygiene, services for the people, and people's air defense facilities. We should make overall planning and build a whole range of support facilities. In the future, while building large industrial projects or expansion projects, renovating the outdated areas, opening up new areas, and developing education, science, culture, sports, public health and other undertakings, we should build a number of related public facilities, and raise the comprehensive functions of the carriers [zai ti 6528 7555]--the urban areas.

Along with the unceasing expansion of the scope of urban construction, we should further strengthen the management and maintenance of the infrastructure. It is necessary to adhere to the principle that "the people's cities should be built and managed by the people," fully display the role of the functional departments, districts, and neighborhoods such as the planning, urban administration, gardening, environmental protection, environmental hygiene, housing management, and public security units, mobilize the enthusiasm of all social quarters, and realistically manage the urban areas well. We should guarantee the supply of funds and materials needed for maintaining the urban infrastructure, continue to improve and conscientiously implement all rules and regulations for managing the urban areas, ensure the normal operation of the various city infrastructure, display their functions, and extend their service life.

We should strengthen land management work in line with the overall city planning, rationally use the land, and guard against land abuse and land left idle. Meanwhile, in view of the fact that the rivers are loaded with silt and the embankments are out of repair, we should realistically strengthen the flood prevention work.

4) We Should Speed Up the Development of Science, Technology, and Education

Developing scientific and technological undertakings is an important task mentioned in the "Seventh 5-Year" Plan, as well as an important measure for guaranteeing the realization of the "Seventh 5-Year" Plan. We should foster a strategic viewpoint of paying attention to scientific and technological progress, and realistically rely on scientific and technological progress to develop production, construction, circulation, and various economic undertakings.

During the implementation period of the "Seventh 5-Year" Plan," efforts should be made to vigorously develop and popularize the scientific and technical results with good benefits and rapid effects; to concentrate on spreading the major scientific and technical results of saving energy, water, and raw materials, and of improving the function and quality of products and labor conditions; and to earnestly enforce the "spark plan" in order to apply advanced technology to develop planting and breeding undertakings and to arm the township- and town-run enterprises with technology. We should organize various forces to make concerted efforts to overcome technical difficulties and to deal with the major scientific and technical problems cropping up in developing fist products, conducting reforms among the outdated enterprises, and in expanding exports and technical imports. Efforts should be made to accelerate the pace of developing and studying the latest technology and to strive to make great progress in the application and production of computers and software, optical fiber digit communications, laser, biological engineering, new materials, and automatic technique in order to lay a foundation for establishing some newly developed enterprises.

In order to promote the development of scientific and technological undertakings, efforts should be made to further make a success in conducting reforms in scientific and technical systems, to delegate much power to scientific research units, to encourage or support some units that have conditions to be centers in charge of developing technology, to vigorously open technical markets, to develop an advisory service of science and technology, and to carry out technical transfer with compensations. A good job should be done in opening training classes for the existing personnel in order to upgrade the quality of scientific and technical personnel's ranks and to train number of first-class talented personnel for the key enterprises and the newly rising technology throughout the country. Efforts should be made to enhance the building of scientific research bases, to build some centers in charge of metrological service and radiation research, to reinforce or conduct reforms among a number of institutes, and to upgrade the work standard among the units of patent affairs, information, physics and chemistry analysis, metrological service, radiation research, experiments, meteorology, and environment protection. We should enforce and develop various associations between scientific research and production and put together the forces of various fields, such as the central units stationed in Tianjin Municipality, the local academies and institutes, the higher educational institutions, and the military industrial departments, in order to bring into play their strong points in establishing a close tie between scientific research and production and achieving common development. Efforts should be made to actively expand the scientific and technical exchanges with foreign countries and to enhance the technical coordination with fraternal provinces and regions. We should closely integrate social sciences with the actual situation in the program of building the two civilizations and, by applying the viewpoint of Marxist basic theories, better answer and deal with the major theoretical and practical problems cropping up in the program of building socialist modernizations.

During the implementation period of the "Seventh 5-Year" Plan, it is imperative for us to pay attention to educational undertakings as we did for economic construction in order to strive to build our municipality into one of the advanced cities in education. Efforts should be made to enhance elementary education, to further reinforce the leading forces of middle and primary schools, to newly build or expand a number of middle and primary schools, and to actively develop nurseries and kindergartens. We should continuously readjust the educational structure and further develop secondary vocational and technical education in order to enable the number of students attending middle vocational or technical schools in 1990 to surpass that of students attending general senior middle schools. Efforts should be made to continuously readjust the specialized courses and level structure of the higher educational institutions, to enhance the courses in a short or weak situation, and to support the establishment of newly-rising and frontier courses. We should further restructure, consolidate, and improve various kinds of higher education for adults and encourage the activities of self-study. Efforts should be made to upgrade educational quality; to earnestly implement the principle of achieving all-round development in morality, intelligence, physical fitness, and sense of beauty; and to adequately enhance labor education in line with the specific characteristics in order to train more qualified personnel for the program of building the four modernizations. A good job should be done in enhancing the building of teacher's ranks; training new teachers; holding on-job training classes for the existing teachers, particularly for the teachers of middle and primary schools; carrying out television education under the satellite communications network; organizing teachers of middle and primary schools to study the basic knowledge of philosophy, pedagogy, and psychology; and in continuously improving teaching affairs and educational methods. Efforts should be made to deepen the activities of having the society support education and raise funds to operate schools and to foster fine morale of respecting teachers and attaching importance to education in the society as a whole.

5) Deeply Conduct Systematic Reforms

During the implementation period of the "Seventh 5-Year" Plan, efforts should be made ot push forward the drive to conduct overall reforms with the work emphasis of urban transformation; and to do a good job in conducting reforms in a coordinated manner in the three fields, such as reinforcing the vigor of enterprises, improving marketing systems, and upgrading the government's function in conducting indirect control over economic activities, in order to ensure the smooth realization of the municipal strategy in economic development.

As a large city where industries are concentrated, Tianjin should grasp firmly the central link of invigorating enterprises, which is the key to the establishment of new economic systems, and the stimulation of economic development. Measures should be adopted continuously in and outside enterprises, in particular large and medium-sized ones, in order to enhance their vigor so that the enthusiasm, initiative, and creativity of enterprises and staff and workers can be developed. We should further simplify administration and delegate power to lower levels, separate the duties and responsibilities of governments from those of enterprises, gradually narrow the scope of mandatory plans, grant enterprises greater autonomy in production, supply, marketing, and in personnel, financial, and material management. We should reduce regulatory taxes or allow exemptions from them in a planned manner, raise the depreciation rate, conscientiously lighten the irrational burden on enterprises, and enhance their ability to renovate and develop themselves. We should improve the various forms of the economic responsibility systems continuously, reform the management, personnel, and distribution systems, and give better play to the advantages and potential of enterprises. On the premise that public ownership is persistently taken as the main part, we should continue to develop various forms of ownership and management, and allow some small state-owned enterprises to be run by collectives or individuals through contracts, leasing, and other measures.

Strengthening lateral economic ties among enterprises is an important component of the economic structural reform, and also an inexorable trend of the development of the socialist commodity economy. As a central city, Tianjin should actively create favorable conditions to facilitaate lateral economic ties among enterprises. We should give wide publicity to the important significance of the lateral ties, carry out policies in support of them, formulate regulations to guarantee them, and see to it that within the municipality, and between the municipality and other areas, associations of enterprises are gradually established in different forms and at various levels in the principles of voluntary participation, and mutual sharing of benefits and risks so as to rationalize the enterprise structure.

Striving to develop the socialist commodity market, and gradually perfecting the market system are an important part of the economic structural reform, and have an important bearing on Tianjin's economic development, and the performance of its functions as a central city. We should adhere to the principle of pooling the efforts of the state, the collective, and the individual, give full play to the leading role of state commercial units, and develop various forms of a new multichannel commercial circulation system. We should eliminate the barriers between different departments and regions, welcome other provinces, municipalities, and autonomous regions to open shops or corporations in Tianjin, and encourage the commercial enterprises of our municipality to promote inter-regional cooperation. We should continue to appropriately reduce the varieties and quantity of the materials allocated under plans, and expand the market of the means of production. We should strengthen the unified leadership and management of the people's bank, give full play to the role of various specialized banks in the movement of funds, gradually establish the capital market, and turn Tianjin into an exchange center where thousands of businessmen gather.

A new socialist macroeconomic management system should be established to change mainly direct into mainly indirect control in economic management. The organizational structure of various economic management departments should be readjusted and reformed so that it can meet the needs in strengthening and improving the macroeconomic control. Reforms in planning, pricing, financial, banking, labor, and wage systems should also be carried out in a coordinated manner in order to establish a complete set of mechanisms and means which can combine, in an organic manner, planning with markets, and microeconomic flexibility with macroeconomic control.

We should successfully carry out the second step of the rural reform in an active and steady manner in line with the principle of "serving the city, and making the peasants affluent" while continuously consolidating and improving the household output-related contract responsibility system.

We should further readjust the rural production setup, never slacken grain production, and vigorously develop diverse undertakings in order to achieve a comprehensive development in farming, forestry, animal husbandry, sideline production, and fisheries, and in agriculture, industry, commerce, transportation, and construction. We should foster the strategic idea of developing the urban and the rural areas simultaneously and coordinatedly, actively explore the new ways for linking urban with rural reforms, do a good job in the commodity circulation between the urban and the rural areas, promote cooperative organizations, strengthen the rural service before, during and after production, and stimulate the development of the rural commodity economy. We should continue to uphold the principle of cities supporting the countryside, and industry supporting agriculture, expedite the technical transformation of agriculture, and the intellectual development in the rural areas, increase agricultural input, improve the conditions for agricultural production, and give active support and correct guidance to the development of township enterprises. Through the above-mentioned series of reforms, we should realize the specialized, commodity, and modern production of the agricultural economy of our municipality at an early date, and basically establish a rural economic pattern with urban and rural areas closely linking together.

Reform will be carried out in considerably wide spheres and in a considerably deep manner during the "Seventh 5-Year" Plan period. Generally speaking, the reform in this period will still be in the course of ceaselessly making exploration and accumulating experiences. Therefore, we will certainly come across many complicated problems concerning reform in this period. So, we must always be sober-minded, pay attention to investigations and study, and strengthen organizational leadership. We must persist in the orientation for reform, take reliable steps for reform, take one step and look around before taking another, and ensure that the steps for reform be dovetailed to one after another. We should correctly consider what to discard and what to introduce; define the scale, degree, and steps of direct control in a simplified manner; and strengthen the indirect control over various economic activities. In order to ensure a smooth replacement of the old economic system by the new one, we should adopt necessary administrative measures to supplement the economic and legal measures within a certain period of time. We should prudently treat and properly handle the sensitive problems in reform which are related to the interests of the masses. We should be calm and timely discover and correct the problems cropping up in the course of reform so that the people will have a unified thinking to continue making progress.

6) Strengthen Spiritual Civilization

Vigorously strengthening the socialist spiritual civilization in the course of facilitating the material civilization is an important principle for guiding the socialist modernization. We should study and work out a strategic plan for the socialist spiritual civilization in the "Seventh 5-Year" Plan period. The governments and leading cadres at all levels should persistently implement the principle of "grasping two civilizations simultaneously," and make utmost efforts to cultivate persons of the new generation characterized by socialism and to create a new socialist workstyle.

The most fundamental principle for successfully realizing the grand goals set in the "Seventh 5-Year" Plan and promoting the progress of reform is to rely on the enthusiasm and creativeness of the vast number of cadres and the masses. So, we must conscientiously strengthen ideological and political work in order to arouse the people throughout the municipality with enthusiasm and a revolutionary spirit of making progress and keeping forging ahead. In carrying out ideological and political work, we should strengthen self-reform, adopt proper methods suitable to the requirements of the masses to deeply and constantly carry out the four basic principles and the education of "having lofty ideals, moral integrity, education, and a sense of discipline" in order to make more people become laborers with lofty ideals, moral integrity, education, and a sense of discipline. In accordance with this principle and in line with the actual conditions for carrying out reform and opening to the outside world we should educate and guide the masses to correctly handle the relations between the interests of the individuals and the state, between the interests of the part and the whole, and between immediate interests and long-term interests; and to correctly handle the mistakes and complications possibly cropping up in the course of reform. While vigorously developing commodity production, we should eliminate the idea of putting money above everything else, and persist in the principle of distribution according to work as well as correct the idea of haggling over every ounce and working according to payment. Simultaneously, we should energize the enterprises by expanding their decision-making power, and oppose individualism and selfish departmentalism. In short, we must persist in socialist orientation to achieve the reform work and the work of opening to the outside world and to make the broad masses of the people maintain good spiritual outlook.

Greater progress must be made in sports and the cultural undertakings in the spheres of literature and art, press and publication, and broadcasting and television during the "Seventh 5-Year" Plan period. We must persist in the orientation of serving socialism and the people, correctly handle the relations between social effect and economic results, attach primary importance to social effects, and create more and better spiritual products so as to make contributions to the development of the two civilizations. We must set up a group of cultural facilities in this period, such as libraries, television relaying towers, large gymnasiums, artistic halls, natural museums, and concert halls; rebuild the great theater of the Tianjin Guesthouse and some other theaters; and further improve mass sports facilities in order to ceaselessly enrich the people's cultural lives.

During the "Seventh 5-Year" Plan period, our municipality will face a new birth peak, therefore, we should give first priority to family planning work and persist in grasping it with unremitting efforts. We should promote late marriage and late birth and vigorously promote the practice of giving healthy birth and raising children in a healthy manner. The various relevant departments should exert concerted efforts to resolutely bring the natural population growth rate below 9 per thousand. Meanwhile, we should strictly control the mechanical increase [ji xie zeng zhang 2623 2750 1073 7022] in the urban population.

To realize the "Seventh 5-Year" Plan, we should have a very good social environment. In the process of reform and opening to the outside world, the decadent and moribund feudalistic and capitalist things will seize the opportunities to grow. To this end, we should clarify our understanding, persist in grasping construction on the one hand and grasping the legal system on the other, strictly follow and enforce the law, and punish the law-breakers, and ensure that all the people are equal under the law. We should resolutely deal blows to all serious criminals and economic criminals, ban and check all decadent and evil trends that seriously harm the general mood of society. We should make continued efforts to comprehensively implement all measures for tackling social security problems, conduct education in popularizing legal knowledge, strengthen the sense of the legal system of the cadres and the masses, pay particular attention to strengthening youth education, and effectively prevent and reduce criminal offenses in order to consolidate the achievements in reform and opening to the outside world and to ensure social stability and the smooth progress in economic construction.

Several Suggestions for This Year's Work

This is the first year for implementing the "Seventh 5-Year" Plan and for linking the preceeding tasks with the following ones; therefore, it is a crucial year. This year, we will gradually carry out various tasks and fields of work stipulated in the "Seventh 5-Year" Plan so as to make a good start for the next 5 years, to heighten the people's spirit, and to continuously maintain the enthusiastic and progressive spirit of the people. Only by so doing, can we create a fairly good economic and social environment, ensure the smooth progress in the future reforms, promote a sustained, steady and coordinated development in the national economy, and lay a good and solid foundation for successfully fulfilling the "Seventh 5-Year" Plan.

At present, our municipality's economic and political situations are very good. However, there are still many new and complicated problems lying ahead of us and the prominent ones are the shortages of funds, foreign exchange, and raw materials. In the beginning of this year, the municipal CPC Committee pointed out that there are three possible situations which can appear in this year's economic work: First, the ineffective control of the macroeconomy will create tense situations in all fields and will bring new incoordination in the economic development. Second, equally distributing the limited amount of financial and material resources among all units will make economic construction remain stagnant and sagging. Third, we will try all possible means to overcome difficulties, and reduce all unfavorable factors which may affect the economic construction, take advantage of this opportunity to carry out reforms with strenuous efforts, to grasp management, to lay a good foundation and to keep an upward trend in industrial production and in various fields of work. This year, the focus of our work is to adopt effective measures, to resolutely avoid the first two situations and to ensure the realization of the third situation. The 1986 economic and social development draft plan has been printed and distributed to all deputies. Here, I will give a few suggestions on this year's prominent problems and on the major measures we are going to adopt. Please discuss them.

1) We Should Deeply Carry out Activities on Increasing Production and Reducing Expenditures, and Guarantee the Fulfillment of the Annual Production Plan

This year's industrial production is being carried out under a fairly difficult situation. Thanks to the vigorous efforts of the leaders at all levels and the broad masses of workers, the total industrial output value in the first quarter showed an increase of 2.2 percent over the corresponding period of last year. According to the demand of the annual plan of achieving a 6-percent increase, the tasks for the coming three quarters will still be very arduous. The municipal government is adopting all measures to solve the problems in production in order to ensure the overall fulfillment of the plan.

First, leading persons at various levels should unify their thinking, and enhance their confidence in fulfilling the production tasks. Industry is the main body of our municipality's economy, and industrial production has a bearing on the overall situation. In this year, in particular, when we enforce the fixed-quota revenue system, whether the industrial production is successful or not and whether its economic results are good or not will have a direct bearing on local revenues, on the development of various undertakings, and on the improvement of the people's living standards. For this reason, we should maintain an appropriate growth rate in industrial production with the focus on improving economic results. One-sided pursuit of overheated growth rate is wrong, but economic results cannot possibly be improved without a definite growth rate. At present, some objective difficulties do exist in some plants and enterprises, however, they are inevitable in our exploration of reform. The problem is that we should understand them, adapt ourselves to them, and regard them as an impetus to spur us to improve our work. Judging from the overall situation, our Tianjin's situation is excellent, and the morale of our cadres and people is high. We must never neglect the favorable conditions in various fields just because of the difficulties in certain areas. In the first quarter, faced with similar difficulties and conditions, many trades and enterprises still achieved good results in both production and benefit because they gave play to the role of their subjective initiative. On the contrary, some units failed to promote their production although their conditions were not bad. Therefore, leading cadres at all levels should heighten their spirit, conscientiously shoulder their responsibilities, make sure that all the economic and technical targets are fulfilled in the units provided with sufficient objective conditions, and encourage the units with objective difficulties to press forward in the face of difficulties, and to try their best to promote production and improve economic results. We should increase production at a comparatively quicker pace in the second quarter--a golden season for production--in order to gain the initiative in the production of the whole year.

Second, we should persist in the practice of working on the spot, and conscientiously help grassroots units in solving their practical difficulties. At present, some of the difficulties of grassroots units can be overcome through their own efforts, and others can be solved only with the help of higher levels. Leading persons at all levels, and relevant departments should go down to the grassroots and take the initiative in helping the grassroots eliminate their difficulties and misgivings. They should assist enterprises in solving their problem of a lack of funds, energy resources, and materials. They should do a good job in linking industrial units with commercial or trading units, organize enterprises to increase the production of readily marketable products in short supply in line with market demands, and adopt various flexible measures to promote sales. We should stress the importance of giving prominence to the quality of products, and guide enterprises to improve product quality with great efforts in order to maintain and create more top-quality, brand-name products. We should pay attention to giving play to the functions of imported or innovated technologies, and do a good job in the supplementary work for the 700-odd technical transformation projects which have already been or will soon be completed so that they will reach their designed capacity at an early date.

Third, we should extensively mobilize the masses to launch the activities to increase production and practice frugality. The municipal government and relevant departments are holding forums one after another of managers and plant directors, for workshop chiefs, for engineering, technical, and functional personnel, for work shift supervisors, and for model workers in order to encourage them to suggest measures to counter current problems. All units should publicize among the masses the grand goals of the "Seventh 5-Year" Plan, clearly explain to them the current situation, tasks, favorable conditions, and difficulties, and carry out the activities of "opposing waste, tapping potential, increasing production, and practicing frugality" in a vigorous and conscientious manner. We should organize the masses to suggest ways to rationalize production, carry out technical innovation and cooperation, strive to increase production and reduce energy and raw material consumption, produce more and achieve better economic results through frugality, and create a vivid situation in which the people are trying to catch up with one another, going all out to make progress, and vying for more contributions.

Fourth, we should consolidate and strengthen enterprise management by making a breakthrough in stopping losses of materials and instruments. Although enterprises of our municipality have shown improvement and consolidation their poor product quality and high raw material consumption still constitute a universal problem; in a small number of enterprises, production is still in chaos, discipline lax, waste serious; and losses, theft, and accidents caused by poor production safety occur frequently. At some worksites, in particular, embezzlement has become a common practice, and even carloads of building materials and equipment are carried away. This is an act seriously undermining the socialist construction. The public security departments, in earnestly investigating and dealing with the cases, should strictly punish the robbery elements on the one hand, and find out those who are to blame for the dereliction of duty on the other. As for the enterprises that have been confused in management, repeatedly caused accidents, and have suffered serious losses, efforts should be made to concentrate on consolidating and improving the building of leading bodies, strictly enforcing labor disciplines, and enhancing the work of public security and safety in order to improve the confused situation within the given date. As for the enterprises that have been poor in management and business operation, efforts should be made to establish or improve the regulations and rules, to improve the responsibility systems in the economy, and to upgrade the managerial standard. As for the enterprises that have had a better foundation in management, we should help them to continuously upgrade their standards and gradually achieve modernized management. All the enterprises should pay great attention to production safety, assign full-time personnel to assume the responsibility for safety, and should establish or improve the managerial systems of safety and the regulations and rules on operations in order to plug loopholes and to realistically prevent or curtail the occurrence of various accidents.

2) Vigorously Conduct Industrial Readjustment in Order to Have a Good Start This Year

During the implementation period of the "Seventh 5-Year" Plan, the tasks of conducting industrial readjustment are very heavy. Whether we can make a breakthrough in the tasks this year, gain a set of experience in this regard, and make a good start in the task, has an important significance on fulfilling the readjustment plan as a whole. Over the past few years, we have presented many reasons for carrying out these tasks, and done a great deal of work in industrial readjustment. Generally speaking, we have made progress and scored achievements in the task. However, the step we took and the effect we gained have not been either big enough or ideal. As of now, a large number of enterprises that have spacious workshops, new equipment, plenty of funds, energy resources, and raw materials, have long turned out backward products with poor economic results and dull market sales. Thus, some products that have enjoyed good economic returns and been needed by markets have long been backward in supply because of the restrictive production conditions. There are various reasons why the industrial readjustment is hindered, but the main one is that some comrades still have the idea of turning out a satisfactory variety of products, sticking to old ways, and indulging in departmental selfishness. Therefore, in order to do a good job in conducting industrial readjustment, first of all we should deal with the problems concerning understanding in order to enable everyone in the municipality to fully discern that the work of eliminating backward products through conducting readjustment and of developing fist products is not only an important measure for overcoming the current difficulty to push production forward, but also is the project of vital and lasting importance for carrying out the long-term construction of the municipality and bringing into play the role of industrial base. Thus, only by doing so can everyone in the municipality consciously abide by the readjustment program and actively do a good job in conducting industrial readjustment.

We should make a new breakthrough in industrial readjustment this year. In line with the demands set forth by the "Seventh 5-Year" Plan, efforts should be made to immediately conduct readjustment among the industries, trades, and products that have been determined to be necessary, such as motor vehicles, bicycles, watches, elevators, electric cables, duplicators, refrigerators, and motorcycles, in order to realistically upgrade the quality, quantity, and standards of these products. Our target is to score initial achievements in this regard this year, to score marked achievements next year, and to enjoy the benefit scored in this regard at a later stage of the implementation period of the "Seventh 5-Year" Plan. The municipal People's Government is gradually studying the problems concerning workshops, equipment, funds, and personnel who are needed by the program of developing these products. The departments in charge of comprehensive work and the bureaus concerned must make concerted efforts to vigorously implement the task and to ensure the fulfillment of the task thoroughly.

What we should point out here is that, in the course of industrial readjustment as a whole, it is imperative for us to regard as an important principle the work of making full use of the existing workshops and building fewer projects of indigenous construction style, and to strictly examine or approve the large number of projects of such construction style.

3) Realistically Improve the Measures Enforced in Conducting Reforms in Order To Achieve More Results in the Drive To Conduct Reforms

In 1985 we took a greater step in conducting reforms in economic systems, scored marked achievements, and also experienced some new problems in this regard, such as the inevitable imperfection caused by the exploration program of pioneering the road of advance, the inevitable inadequacy caused by the drive to conduct reforms which has been adopted as readjustment among the production relationships, and the inevitable discord caused by the drive to conduct reforms which has actually been a complicated project for social systems. Therefore, in line with the demands set forth by the State Council, the drive to conduct reforms this year is chiefly to successfully conduct the work of consolidation, digestion, supplement, and improvement, and to make good preparations for taking a greater step in the transformation drive. This is a more complicated and heavy task toward which we are required to adopt a careful attitude, and required to be carried out in a down-to-earth manner.

Supplementing and perfecting reform involves the work in three fields. First, we should further enliven key large and medium-sized enterprises. The Municipal CPC Committee and government have organized forces to conduct investigation especially among large and medium-sized enterprises. Through the investigation, we will understand the situation, sum up experiences, study problems, carry out the work of enlivening these enterprises on a trial basis, and give specifically to help them implement the municipality's 56 regulations concerning expanding decision-making power of the enterprises. Second, we should conscientiously carry out various kinds of economic responsibility systems in line with the improvement of wage reform. In line with the regulations of the State Council, the enterprises should use as funds for reward the portion of money that is retained as production cost after wage reform, and make the most of it. In accordance with the principle of distribution according to work, the enterprises should give awards to industrious and excellent workers and punish lazy workers and those who fail to do their job well, so as to fully mobilize the enthusiasm of the staff members and workers. The organs, institutions and establishments should take charge of solving the prominent problems left over by the wage reform. Third, we should enthusiastically explore new ways for coordinating the urban reform with the rural reform, and for enlivening circulation; further work out policies, and study ways of coordinating the urban reform with the rural reform; such as industrial-commercial, agricultural-commercial, and agricultural-industrial-commercial enterprises; and strive to gradually form a circulation network linking the urban areas with rural ones.

While supplementing and improving reform, we should pay full attention to the ideological work. Along with the profound development of reform and production, visible material interests should be created for the people. However, it is impossible for each measure for reform to certainly bring notable economic results to each and every member of society, and we must not require it either. So, through conducting the ideological work in a painstaking manner, we should educate cadres and the masses to correctly treat reform, to conscientiously grasp both immediate and far-reaching interests, and to make immediate interests subordinate to the far-reaching ones. Simultaneously, we should guide the departments and enterprises to conscientiously foster an idea of taking the whole situation into consideration, to link the interests of the part with those of the whole, and to make the interests of the part subordinate to those of the whole.

4) Strengthen and Improve Macroeconomic Control and Give Flexibility to Microeconomy Under the Situation of Properly Strengthening the Management of Macroeconomy

Thanks to conscientiously implementing the spirit of strengthening macroeconomic control, last year we successfully ensured the demands for production and construction on the premise of not surpassing the state assigned targets for investing in fixed assets, of using credit funds and consumption funds, and of using foreign exchange for import. These achievements were notable and these experiences were valuable. Practices have shown that we must improve macroeconomic control in order to strengthen it. Only when the macroeconomic control is improved can it be strengthened. With so many difficulties in economic construction to solve, this year we must further achieve the work of strengthening and improving macroeconomic control, and make the microeconomy maintain vitality and work around the sound path in which it is properly managed by the macroeconomy.

The key to strengthening and improving macroeconomic management is to strictly control the scale of investment in fixed assets and to rationally readjust the investment structure. In accordance with the demands of the state, we should control the scale of the investment in capital construction to the level of last year. Simultaneously, we should expand the proportion of the investment in production facilities and infrastructure, and reduce the nonproductive investment. Priority should be given to key projects while reducing the construction of general projects. We should arrange funds and materials first for key products. The materials and funds for a project should be defined once and for all. Designing and construction units should practice economy, oppose waste, strengthen management, ensure good construction quality, shorten construction periods, and make efforts to upgrade the returns of the investment.

A prominent issue in strengthening and improving the macroeconomic management is to do a good job in the movement of funds. We should do a good job in the movement of capital among banking departments, and between banking departments and financial departments, organize well the lateral movement of credit funds, and develop direct movement of funds among enterprises in a well-guided manner. Banks and postal departments should actively organize and increase savings deposits. Banking, and foreign trade departments should assist enterprises to make the best use of foreign funds. When issuing loans to serve as circulating funds, we should properly relax restrictions in line with different situations, and give priority to the development of readily marketable commodities, and the commodities to be exported to earn foreign exchange. All enterprises should economize on the use of funds, and fully tap their potential to manage their funds well and use them in a flexible way. In particular, they should accelerate the turnover of circulating funds by reducing stockpiled goods, and reserve materials.

We should continue to monitor funds, institutional purchases, and administrative spendings. and never allow them to exceed the state quotas.

5) We Should Strengthen the Cooperation Between Industrial and Foreign Trade Departments, and Strive to Overfulfill the Task of Earning Foreign Exchange Through Export

This year the state has assigned Tianjin Harbor the task of an export volume of $1.116 billion. Although the first quarter exports showed a 4.2-percent increase over those of the corresponding period of last year, they amounted to only 20.9 percent of the annual quota. Therefore, there are still many difficulties and problems in our endeavor to fulfill the foreign exchange earning task. Both industrial and foreign trade departments, and all quarters concerned should exert concerted efforts, cooperate closely, and step up their work.

The first task is to successfully organize the production of export goods, and strive to increase goods supply. We should try all possible means to provide necessary conditions, such as funds, electricity, and raw materials, to the production of export goods in order to improve its quality, increase its quantity, and guarantee the scheduled realization of the purchasing and marketing contracts. Policies to encourage exports should be implemented in line with the guidelines of the State Council regulations in order for the enterprises, and staff members and workers who can earn more foreign exchange through export to gain benefit, and to gain more initiative in fulfilling their export tasks. We should readjust product mix and carry out technical transformation to greatly develop the traditional products demanded by the international market, and to develop a number of high-grade new products which can yield better returns. We should help industrial departments to understand the international market, provide them with necessary information, and help them in overcoming the difficulties in dealing with foreign countries.

In the meantime, we should do a good job in the purchase and marketing of export goods. This year, goods worth 4.05 billion yuan should be purchased for exports, of which 1.35 billion yuan of goods will come from outside the municipality. We should strengthen lateral economic ties with other provinces, municipalities, and autonomous regions, provide various services, conveniences, and preferential methods for them to expand exports, and strive to obtain more supply of goods for export from other areas. We should exert our utmost efforts to organize exports, and business with foreign countries, strengthen the forecast of and the sales activities at the international market, consolidate the old market, and open up a new one. All the comrades in charge of foreign economic relations and trade should arouse their spirit, continue to improve management, raise their professional competence, and make new contributions to our municipality's foreign economic relations and trade.

In our efforts to expand exports and earn more foreign exchange, we should also pay attention to using foreign exchange in an economical way, and make still better use of our limited foreign exchange by using it where it is urgently needed.

6) We Should Pay Close Attention to Economizing on Electricity, and Successfully Use Our Limited Electricity

An acute shortage of electricity is a conspicuous problem we are facing this year, which restricts the development of production to a great extent, and has a serious impact on the people's lives, and to which great attention should be paid. The fundamental way to alleviate power shortage is to build more powerplants. Therefore, the municipal government has decided to accelerate the expansion of the Junliangcheng Powerplant in order to make it generate power as soon as possible. However, "distant water cannot quench present thirst," and therefore, the most effective way to alleviate the current power shortage is to strengthen management, and make great efforts to use electricity in a planned and economical way. At present, we are seriously short of electric power on the one hand and greatly wasting it on the other. We have great potential for saving electricity. We should mobilize the people throughout the municipality to exert the same efforts to save electricity as they do in saving water. All units and enterprises should use electricity in a planned manner, contract the energy-saving tasks and responsibility to each and every household and person, and change the situation in which there are no quotas for using electricity or for saving electricity. We should give priority to supplying electricity to enterprises that yield good economic results and limiting power that yields poor benefits. Enterprises with their own power plants should implement the reward and punishment system, use the electricity they have generated, commend those units which generate more electricity, and cancel the power supply quotas of those units **that are capable** of generating electricity but refuse to do so. We should practice the system of "imposing a label" on those "electric power departments which have a warlord workstyle" shut down and stop the operation of those that yield very poor economic results, amalgamate them with other enterprises or switch them to manufacturing other products. It is necessary to strengthen management over power supply lines, ensure the power supply quotas but not the power demands of plants, to fix the power supply quotas but not to install new power lines for them. Different prices will be set for those units that use electricity during the "peak and low periods." Higher prices will be set for those units using electricity during the low period. Those units which practice economy in using electricity should be commended and those which use electricity above the plan should be punished. Those which use electricity in a wasteful manner should be restricted in using electricity. Their rights of using electricity will be directly cancelled and their administrative responsibility will be pursued. It is strictly forbidden to use all kinds of operations that greatly consumes electricity. We should strive to ensure power supply for the people's daily needs but they should also economize on power consumption. The power supply and management units should conscientiously implement the relevant stipulations of the municipal government, improve their workstyle, and render better services.

7) We Should Basically Stabilize Commodity Prices, and Do a Better Job in Urban and Rural Market Supply

Last year, after adjusting the prices of nonstaple foodstuffs, market supplies were abundant, commodities were fairly stable and the market situation was good in general. However, market problems involve production, consumption, and other problems are that we are opening the municipality to the outside, vitalizing the economy, and basically stabilizing the commodity prices. The market and price problems have a direct bearing on the people's livelihood and social security, therefore, we should consider them as a major matter and should grasp them firmly and well.

Stabilizing commodity prices is for the benefit of all the people and its success relies on the efforts of all. Each and every department and all comrades should proceed from the overall situation and contribute to stabilizing commodity prices. Although all the people are complaining about the situation of arbitrary price increases, many departments and enterprises are still trying to raise the prices of their products. This is the current prominent contradiction in stabilizing prices. The municipal government has decided that all departments and units should not wantonly raise the prices of products that are carrying state fixed price tags or to raise the prices covertly without the approval of the government. Such a decision should be made a rule. The state commercial units should fully display their dominant role, actively participate in market regulation, and ensure continuous supply and stable prices during both the off and dull seasons. The pricing departments should realistically strengthen supervision and checkups, and strictly punish those that wantonly raise prices. The industrial and commercial administrative departments should strengthen market management and resolutely ban all illegal businesses that may disrupt the market. The public security departments should coordinate with one another, and resolutely punish in accordance with the law those persons who have engaged in profiteering, cheating, and dominating the market and who have acted against the law.

We should ensure urban and rural market supplies. In the beginning of this year, the municipal government adopted a series of measures to arrange for the production of meat, eggs, fish, vegetables, and other nonstaple foodstuffs. It has established lean-meat hogs producing bases, continued to increase the supply of lean meat and to implement the policy of encouraging the raising of chickens, and ensured the supply of poultry and eggs. We should vigorously develop fish production. This year, the average per-capita supply of fresh fish should be 13 kg. We should ensure the vegetable cultivation acreage and the market supply, and purchase vegetables according to contracts signed between peasants and commercial units so that they will jointly guarantee vegetable supplies. The industrial and commercial units should arrange industrial goods for daily use for the market and organize the production and business of small commodities. The production of briquets and heating equipment for winter should be arranged ahead of time and the supply methods should be improved. We should vigorously enliven catering, service, repair, and clothing industries, implement the preferential and supportive policies, increase the number of business units, improve facilities, extend business hours, and improve service attitude so that the situation in which the citizens find it "difficult to buy breakfast, to take a bath, to have their hair cut, to find a tailor, and to make repairs" will be changed remarkably.

8) Persistently Do Solid Things for the People and Continue to Improve the Livelihood of the Masses

Over the past few years, we have scored good results in doing a bunch of solid things for the people's every year. After summing up the experiences gained in the past few years, we know that we should grasp the following few principles with regard to doing solid things for the people. We should do the things that can bring benefits to the majority of the people, the things most urgently demanded by the masses, the things with far-reaching functions, the things that may promote the development of spiritual civilization, and the things we can do. In accordance with these principles, the municipal government has defined 20 solid things for improving the livelihood of both urban and rural people this year. These 20 solid things have been made public and are in progress at present.

The solid things for 1986 have such notable characteristics as follows: First, grasp the improvement of the people's livelihood as well as promote the production development. For instance, this year, we must complete the eastern section of the central ring road to ensure that the central ring road will open to traffic. The completion of the central ring road will not only help shorten the time people spend on their way to and from the working units, but also bring convenience in transportation to the industrial areas along the road. Upon the completion of this road, the transportation funds will be reduced and transportation efficiency will be upgraded. This year, we must complete the civil gasification project. Upon the completion of this project, gas will be supplied to the majority of the households. This not only will give convenience to the people's livelihood, but also may help save energy resources, reduce pollution and upgrade the functions of urban areas. Second, we should solve the most urgent problems in the people's livelihood. In solving these problems, we must pay attention to the work of "making perfect still more perfect" and "providing timely help." For instance, the rural areas should attach primary importance to the work of enthusiastically supporting the poor to help them extricate themselves from poverty. We should mobilize the forces from all fronts throughout the municipality to help the poverty-stricken areas open channels for making money and to help improve the people's livelihood. Simultaneously, the urban areas should attach importance to helping the household problems. All housing construction units should carry out the method of [?] the households in the order of [?] give priority to solving the housing problems for the households with most difficulties. Third, we should pay attention to the construction of cultural and educational, and public health facilities. Of the 20 solid things for 1986, 5 are related to the development of educational, scientific, cultural, and public health undertakings. This year, we should build and expand 3 institutions of higher learning and 20 primary schools; extensively reconstruct 18 primary and middle schoolhouses; prepare to construct educational and scientific research institutions; build a large library; prepare to construct educational, scientific, and cultural commercial streets; and build and expand 4 municipal-level hospitals and 3 district-level hospitals. We should build schoolhouses and teaching laboratories covering 80,000 square meters of floor space in the rural areas, and rebuild the dangerous and shabby schoolhouses covering 80,000 square meters of floor space in remote mountainous areas.

The tasks for fulfilling the 20 solid things for improving the people's livelihood are comparatively heavy. There are many difficulties in it. The municipal government called on all units to strengthen leadership over the work and to make concerted efforts to achieve actual results in these solid things. We must practice economy to do these things industriously and thriftily; set strict demands on the work in order to ensure the quality of the work; conduct the construction work in a civilized way and strive to create no or less disturbance to the people; and constantly stress actual efficiency in order to bring real benefits to the people. The municipal government also called on all units and departments to make arrangements for doing several solid things to solve the people's prominent problems this year in line with the basic principle of doing solid things for the people and in accordance with their actual conditions, then to make these things public, and to conscientiously organize forces to carry them out.

9) The Working Personnel of the Governments Should Play an Exemplary Role in Realizing a Notable Turn for the Better in Social Conduct

The central authorities have required that the large and medium-sized cities throughout the country should realize a notable turn for the better in social conduct this year. Tianjin needs to make great efforts to attain this goal.

Leading organs and leading cadres should take the lead in fostering fine social conduct. All working personnel of the governments should comprehensively implement Comrade Hu Yaobang's call on leading organs for consolidating party style, and should play an exemplary role in upgrading working efficiency, studying hard, strictly enforcing discipline, and strengthening party spirit. Simultaneously, they should persist in doing official work honestly, work selflessly for the public interests, abide by the law and discipline, eliminate bureaucratism and various unhealthy practices, do their job well, render better service to the grassroots units and the people, work hard to promote the development of production and the work in all fields, and to take the lead in realizing a notable turn for the better in social conduct.

Lofty professional morality and professional style and features represent an important manifestation of fine social morale. In conducting education on "four haves," various industries and trades should enhance the education on professional morality in order to enable every staff member and worker to ardently cherish their industry and job. Efforts should be made to earnestly implement the pledge of "several should nots" and "several not allows," which was formulated by every industry and trade early this year, in order to enable some people to correct their malpractices of indulging in back-door deals, establishing a relationship only with leading personnel, and seeking personal gains by taking advantage of their positions. In particular, the commerce, service, public utilities, tourism, medical, public health, and public communications industries and trades, which are closely connected with the masses, should stress professional morality, foster professional standards, and ardently serve the people.

Abiding by public morality and safeguarding public order represent a prominent sign of fine social morale. Generally speaking, the social morale in the municipality has been fine. However, there are still some backward aspects in this regard, such as the frequent occurrence of the phenomena of immorality, savagery, disorder, and being unsanitary. We should continuously and earnestly implement the "citizens' regulations"; and deeply carry out the activities of "fostering new practices, stressing sanitation, and building Tianjin into a civilized city" in order to enable armymen and civilians to mutually build spiritual civilization and to foster fine morality and morale in the society as a whole. We should also enhance the work of consolidating public security in a comprehensive way and do a good job in safeguarding public order, particularly maintaining the public order of public places and downtowns, such as business districts, cultural halls, sports arenas, railway and bus stations, and port areas. We hope that the people throughout the municipality set an example now with concrete deeds in order to truly achieve an obvious turn for the better in social morale this year.

10) Uphold the Principle of Taking Economic Construction as a Main Task and Making Overall Arrangements for Work

Our municipality's tasks in 1986 for building the two civilizations are quite heavy. Therefore, we must make overall plans for the task, take all factors into consideration, and make reasonable arrangements for it. Efforts should be made to not only earnestly fulfill the tasks in order to ensure that the work will not be carried out perfunctorily, but also to uphold the principle of taking economic construction as a center and ensuring the fulfillment of the key tasks. In making arrangements for various work including those for building spiritual civilization, we should make our tasks conform to and serve the party's general line and task in order to prevent the phenomenon of attending to one thing and ignoring another, which can be caused by inadequate arrangements and would influence the leading forces in grasping economic work. Conducting the current work of correcting the malpractices and dealing blows to economic crimes in line with the central arrangements has an important significance in ensuring the progress in the drive to conduct reforms, in the enforcement of the open policy to the outside, and in the program of building the four modernizations. We should earnestly grasp the work and bring about results to the work in a down-to-earth manner. Correcting the malpractices is aimed at better ensuring and promoting economic construction, which requires us to enhance organizational leadership and to successfully deal with the relationship between correction and construction. In correcting the malpractices and dealing blows to economic crimes, efforts should be made to concentrate on grasping major or serious cases and to refrain from letting cases be dealt with perfunctorily and indifferently. As for the cases exposed by the masses, efforts should be made to earnestly investigate and deal with them and to adopt a careful attitude toward the methods of dealing with these cases, such as refraining from spreading the case material at will before obtaining actual evidence and from dealing with the case rashly. Efforts should be made to strictly deal with those who have committed malpractices and violated the law and discipline by taking advantage of conducting reforms and enforcing the open policy. As for the pure flexible and expedient practices cropping up in the drive to pioneer the road of advance and create something new, we should earnestly analyze them and refrain from regarding all of them as malpractices. We should allow, as usual, the process of normal economic activities, such as commodity sales, material purchasing, technical transfer, and exchanging activity with foreign countries. Efforts should be made to earnestly implement the central provisions concerned and to formulate some practical regulations in line with the local actual situation, particularly with the reality created in the drive to conduct reforms and enforce the open policy, in order to enable everyone in the municipality to have rules to follow and the criterion for distinguishing between right and wrong. All in all, while correcting the malpractices, efforts should be made to enable the programs of economic construction, systematic reforms, and open policy enforcement to achieve vital development along a healthy road.

Fellow deputies, the "Seventh 5-Year" Plan has unfurled a promising future full of hope before us and also entrusted us with a higher work demand. During the implementation period of the "Sixth 5-Year" Plan, workers, peasants, intellectuals, the PLA commanders and fighters, public security cadres and policemen, various democratic parties, the mass organizations, and the patriotic personages of various circles, created a new vital situation by following the central guiding orientation, uniting as one, doing pioneering work arduously, breaking through brambles and thorns, pressing forward in the face of difficulties, and displaying their indomitable revolutionary will and high political enthusiasm. During the implementation period of the "Seventh 5-Year" Plan, we should also follow such spirit to create another splendid future and to scale heights in the program of building the two civilizations. Under the party's leadership, let us earnestly study and implement the spirit of the Fourth Session of the Sixth NPC, unite as one, enhance our vigor, carry forward the spirit of the foolish old man removing the mountain, and boldly make progress in fulfilling the grand target of the "Seventh 5-Year" Plan and building Tianjin into a new beautiful socialist modern city with prosperous business and developed civilizations.

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JIANGSU GOVERNOR DELIVERS PLAN REPORT

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[Report on Jiangsu Province's Seventh 5-Year Plan at the Fourth Session of the Sixth Jiangsu Provincial People's Congress on 22 April 1986 by Governor Gu Xiulian]

[Text] Fellow deputies:

On behalf of the Jiangsu Provincial People's Government, I now make a report on the draft Seventh 5-Year Plan for our province's national economic and social development for your deliberation.

This report is divided into three parts: First, the implementation of the Sixth 5-Year Plan which is the basis for the formulation of the Seventh 5-Year Plan, and then the objectives and tasks during the Seventh 5-Year Plan period, and the main tasks for 1986.

I. The Implementation of the Sixth 5-Year Plan

Under the leadership of the Party Central Committee, the State Council, and the Jiangsu Provincial CPC Committee, the people of the whole province in the past 5 years implemented the principle of adjustment, reform, consolidation, and improvement, and the policy of stimulating the domestic economy and opening to the outside world and, through common efforts, pre- and over-fulfilled the major targets of the Sixth 5-Year Plan. We have achieved still better political stabilization and unity, a gradual improvement in the social atmosphere, and sustained, steady, and harmonious development of the national economy. As in the case of the whole country, our political and economic situation represents one of the best historical periods since the founding of our country.

1. During the Sixth 5-Year Plan, Jiangsu's economy featured a sustained tendency for vigorous development. We achieved better results than we had expected. Profound changes have taken place in the economic and social outlook as a whole.

The national economy maintained sustained growth. The total product of society increased from 70.3 billion yuan in 1980 to 147.5 billion in 1985, increasing an average of 10.5 percent annually, based on constant prices.

The gross industrial and agricultural output value increased from 62.3 billion to 126.9 billion yuan, increasing in average 15.3 percent each year. The gross national product increased from 32.2 billion to 67.2 billion yuan, an average increase of 15.9 percent per year. The national income increased from 27.3 billion to 58 billion yuan, an annual average increase of 15.3 percent. The total product of society, the gross industrial and agricultural output value, the gross national product, and the national income all increased at a rate higher than in other 5-year plan periods. These 4 indexes all doubled in the past 5 years.

The rural economy upsurged as a whole. Our province's total rural society product increased from 27.4 billion yuan in 1980 to 77 billion in 1985, up 280 percent and averaging 23 percent annually. Of this, the output value of industry, the building industry, transportation, and commerce accounted for 62.5 percent of the total product of rural society in 1985, compared with 49 percent in 1980. Some 5.6 million of the rural labor force, or 25 percent of the total labor force in the countryside, shifted from farming to working in town and township enterprises. The commodity marketability rate of agriculture, sideline occupation, and industry increased from 50 percent to over 70 percent. These major changes testify that our rural economy has developed to a new level. The upsurge in the rural economy as a whole in our province was realized under the condition that agriculture was steadily growing. Compared with the Fifth 5-Year Plan, the Sixth 5-Year Plan's average yearly grain output increased from 23.14 million to 29.81 million metric tons; that of cotton from 444,000 to 589,000 metric tons, and that of oil-bearing crops from 321,000 to 819,000 metric tons. Our province has a large population, but limited acreage of cultivated land. Even as the population was yearly increasing, the acreage of cultivated land was yearly decreasing, and the structure of agricultural production began to undergo adjustment, the average per-capita consumption of grain surpassed the 1,000-jin mark in the 2 consecutive years since 1984. The forestry, animal husbandry, sideline occupation, and fishery all developed comparatively fast. The rapid development of town and township industry proved to be decisive to the upsurge of the rural economy as a whole. In 1985, the output value of town and township industry was 38.3 billion yuan, up 350 percent from that of 1980, and accounting for 30 percent of the total industrial and agricultural output value of the whole province; its export commodities earned U.S. $300 million foreign exchange, or 20 percent of the whole province's earnings; it handed in 1.7 billion yuan taxes, 19 percent of the province's revenue; it turned in nearly 700 million yuan profits to the town and township level, supporting the development of agricultural, cultural, educational, and public health undertakings and the construction of small towns; and it paid nearly 4 billion yuan in wages, i.e., an increase of 80 yuan for each peasant.

Development of industrial production has accelerated. The province's total industrial output value increased from 43.1 billion yuan in 1980 to 86.4 billion in 1985 (not including the output value of industrial enterprises at and below village level). The average annual growth rate was 14.9 percent, but the actual growth was at an accelerated rate. During this period, our province persisted in vigorous development of the production of consumer products. As a result, market commodity supply was no longer as short as before. The production of the three old commodities--bicycles, sewing machines and wristwatches--increased by a large margin. The production of the three new commodities increased rapidly. The annual output of household refrigerators rose from 4,570 to 148,700 units, that of household washing machines from 7,740 to 750,000 and that of electric fans from 1.64 million to 4.64 million. In this period, our province improved its energy and raw materials industries and broadened the heavy industry service area. The annual output of coal increased from 18.15 million to 21.94 million metric tons, that of electricity from 16 billion to 23.4 billion kilowatt-hours, that of rolled steel from 1.05 million to 1.45 million metric tons, and that of cement from 6.29 million to 11.17 million metric tons. This period also witnessed the development of newly-emerging industries with greater efforts. More than 1,500 applications for use of computers were developed. Fairly fast development was achieved in the fodder and packaging industries. Some machinery and light industry products began reaching world standards. The products showed some quality improvements. In 1985, 73 of the province's products won either a gold or silver prize from the state. Energy consumption per 10,000 yuan output value dropped year after year. The overall economic result of the industry were also fairly good. For industrial enterprises which are fully independent accounting units, the rate of profit and tax payments delivered to the state for every 100 yuan invested was 29.9 percent. The per capita productivity of the workers of enterprises of ownership by the whole people was 18,840 yuan.

Construction of key projects has been stepped up. In this period, the province as a whole completed a total of 26.8 billion yuan investments in fixed assets. Of these, 59 were large and medium-sized projects built according to the state plan. These include the Yangzi Ethylene Plant, Yizhen Large Chemical Fiber Plant, Lianbi Power Plant in Zhenjiang, Xuzhou Power Plant, Lianyungang Harbor, the Nanjing-Hangzhou Section of the Great Canal, and seven other key projects. This was the period seeing the largest number of large and medium-sized projects commenced in our province by the state. Technical renovation was clearly accelerated. Among the invetments made in fixed assets in the enterprises of the whole people, the ratio of investments in equipment renewal and plant renovations rose from 17.4 percent in 1980 to 34.3 percent in 1985. Capital construction and technical renovations resulted in an increase in the province's production capacity. The 5-year total of actual increases in fixed assets was worth 10.8 billion yuan. The increase mainly included an annual output capacity increase of 856,000 kilowatt in installed power generation capacity, of coal mining of 1.066 million metric tons, of 120,000 metric tons of short polyester fiber, and the completion of nine 10,000-metric ton class berths.

Trade with other parts of the country and foreign countries continued to grow. The retailed total of social commodities in the province increased from 15.4 billion yuan in 1980 to 30.7 billion yuan in 1985, averaging a 14.9 percent growth a year. The market in town and country had brisk transactions. The shortage of some commodities was greatly alleviated. In this period, foreign trade continually expanded. The export total jumped from U.S. $850 million to U.S. $1.56 billion at an average growth rate of 12.9 percent a year. The 5-year total of exports was worth U.S. $6.71 billion, an increase of 1.8 times compared with the Fifth 5-Year Plan. Some export commodities accounted for a fairly larger portion of the nation's total. Rice accounted for one-third, cotton and frozen pork one-fourth each, cotton garments and filature silk one-fifth each, and there were altogether 40 varieties of commodities accounting for one-tenth or more of the nation's total exports. Our province has established trade ties with over 130 countries and regions throughout the world. We also registered a fairly fast increase in nontrade earnings, including foreign construction projects, labor cooperation ventures and tourism.

Social and economic benefits were raised markedly. The province's per capita income increased by 103 percent, from 461 yuan in 1980 to 937 yuan in 1985, while the actual increase of people's income per 100 yuan of accumulation went up by more than two-fold from 20 yuan to 68 yuan. Social labor productivity registered an 81.6 percent increase, from 998 yuan to 1,806 yuan. Financial revenues rose from 6.24 billion yuan to 8.78 billion yuan, an increase of 40.6 percent. Financial revenues of 11 counties exceeded 100 million yuan. Among them, four counties (cities), namely Wuxi, Changshu, Jiangyin, and Wujin, topped 200 million yuan. Displaying the spirit of self-reliance and working hard, 13 counties in the northern Huai He area which had received financial subsidies continuously increased local financial revenues and built up their financial strength by launching economic cooperation with fraternal cities and counties in southern Jiangsu and by developing the economy.

Scientific, educational, and cultural establishments advanced continuously. Operating expenses for scientific, educational, cultural, public health, and physical cultural establishments financed from provincial financial resources rose from 679 million yuan in 1980 to over 1.47 billion yuan in 1985, representing an average annual increase of 16.7 percent and exceeding the average annual increase of 7 percent for total expenditures during the same period. Local governments at various levels also increased their expenditures and raised funds through various channels to improve buildings and teaching facilities of primary and middle schools. Notable progress was achieved in applying science and technology to economic development. Of the 9,500 scientific and technological projects completed during the 5 years, including those related to the exploitation and utilization of Huang He and Huai He, the comprehensive control of Hai Lu, comprensive surveys and planning of beaches, and double pulse hologram photography, some reached domestic advanced levels and others approached or reached the world's advanced level. Advances were made in the study of social sciences, focused on strategies for economic development and structural reform. Educational establishments developed at a fairly fast pace. The Sixth 5-Year Plan's demand to make primary education universal in the province was basically fulfilled, and fruitful results were achieved in restructuring the unitary secondary educational system, as evident from the drop in the ratio between enrolment of regular senior middle schools and that of vocational and technical schools from 5.6 to 1 to 1.9 to 1. Schools of higher learning further expanded, with enrolment of full-time students at universities and colleges rising from 84,000 in 1980 to 119,000 in 1985; they trained a total of 109,000 graduates during the 5 years, topping the Fifth 5-Year Plan target by 160 percent. Enrolment at radio and TV universities and workers' universities was equivalent to 80.4 percent of that at regular universities and colleges. Progress was also achieved in literature and art, press and publications, radio, cinema, television, public health, and physical culture.

The people's living standards improved markedly. The average wage of the province's urban workers went up from 667 yuan in 1980 to 1,037 yuan in 1985; after adjustment for price rises, the annual increase was 5.9 percent. Per capita net income of peasants rose from 218 yuan to 493 yuan; after allowing for price rises, the annual increase was 14.3 percent. Urban and rural savings deposits increased at a relatively fast pace, with a total of 9.93 billion yuan in savings deposits at the end of 1985, an increase of more than three-fold as compared with 1980. During the period, the living conditions of most urban and rural residents improved. A total of 25.99 million square meters of living quarters were built in the cities, and over 300 million square meters of housing was built with private funds in rural areas, both all-time-high figures. The daily water and natural gas supply capacity, the number of public transportation vehicles, and the road mileage in cities increased. Construction of small towns proceeded smoothly. Achievements were made in controlling and preventing environmental pollution in urban and rural areas, and more trees were planted in cities. The improvement of the people's living standards were the results of economic development, readjustment of the investment structure, and implementation of the policy of allowing some people to become better off first. Although a handful of people still face difficulties in their everyday life, the marked improvement of living standards of the majority of people during such a short period was something we could not imagine in the past. The improvement of the people's livelihood was closely related to the province's work in family planning. At the end of 1985, the province's population was some 800,000 less than the number targeted in the Sixth 5-Year Plan.

The PLA units stationed in Jiangsu performed maritorious service in supporting the local people's construction and joining them in building socialist spiritual civilizations, thereby bringing closer relations between the army and the government and between armymen and civilians. Public security, procuratorial, and people's armed forces departments dealt severe blows at serious economic crime and criminal offenses, thereby safeguarding public order and ensuring the smooth progress of reform and construction. In foreign affairs, advances were made in enhancing friendship; developing economic, technological, and cultural exchange and cooperation; and promoting friendly ties with provinces and cities of other countries. Patriotic personages from the overseas, minority nationalities, religious, and other circles also contributed their share to the modernization drive and the reunification of the motherland.

2. During the Sixth 5-Year Plan, the broad masses of cadres and people in Jiangsu strived to creatively carry out the party's principles and policies in the light of reality in the province, and they accumulated some preliminary experience.

Persist in shifting the emphasis of work. The broad masses of cadres and people in Jiangsu have firmly and promptly implemented the strategic policy decision on shifting the focus of work to socialist modernization since it was put forth by the 3d Plenary Session of the 11th CPC Central Committee.

Conscientiously eliminating the influence of "leftist" ideas and the erroneous theory and practice of "taking class struggle as the key," the people throughout the province laid a sound ideological foundation for shifting the focus of the work. Since the beginning of the Sixth 5-Year Plan, leaders have really concentrated their efforts on economic construction, and have paid close attention to reducing the scale of capital construction to ensure key construction projects. They have been speeding up the development of agriculture and light industry, and readjusting the orientation of heavy industry, following a correct guiding principle in administrative work and clarifying that the work in all fields must serve and be subordinated to the central task of modernization program, raising the economic efficiency and shifting the emphases from output value and output to variety and quality, and exercising macroeconomic control and applying economic and administrative means to organically combine macroeconomic control with microflexibility. The experience showed that in shifting the focus of the work, it was necessary to, first of all, work with one heart and one mind on the modernization drive, never wavering our determination because of other happenings. Second, leaders should concentrate their attention on the central task of economic construction and never slacken their efforts. Third, the leadership method should be improved, and the economic work responsibility system should be introduced to avoid neglecting the focus. The shift of the focus of work provided the fundamental guarantee for Jiangsu's fulfillment and prefulfillment of the Sixth 5-Year Plan.

Persist in promoting the structural reform. The agricultural production responsibility system, which was successively introduced to various localities in Jaingsu in the light of each locality's actual conditions, has effectively combined unified with separate management primarily in the forms of all-round contracting and contracting of specialized productive undertakings. It has harnessed the enthusiasm of rural households in management, brought into play the superiority of the collective economy, liberated rural productive forces, stimulated the development of agricultural production, and upheld the road of common prosperity. Areas in northern Jiangsu have not only basically solved the problem of providing the people with enough food and clothing, but have also become new bases for commercial grain and other farm and subsidiary products. The grain output of Xuzhou, Huaiyin, and Yancheng Prefectures and Lianyungang rose from 10.07 million metric tons in 1980 to 15.36 million metric tons in 1985, an increase of 53 percent. The big increase in northern Jiangsu's grain production created the conditions for industrial development. As a result of the second step in the rural reform, which changed the previous unified or fixed state purchase system to purchase by contract, large numbers of rural peasants are engaged in production according to the state plan and market needs. The structure of agricultural production was readjusted with prudent steps and a clear direction to achieve stable agricultural production, actively promote the development of industry and the building trade, and properly develop transportation, commerce, and service trades. In the urban economic structural reform, we paid keen attention to invigorating enterprises to further enliven the economy as a whole. Aside from carrying out reforms according to state plan, various localities have adopted supplementary reform measures in the light of each locality's actual conditions. In invigorating enterprises, for example, they have emulated the experience of Yanqiao Township, Wuxi County, in instituting the economic contract responsibility system and changing cadres' appointment to a system of engaging them, workers' permanent employment to a contract system, and fixed wages to a floating wage system, and they have gradually popularized such practices among collective enterprises and small state-run enterprises in cities and towns. Measures have been taken to revitalize large and medium-sized enterprises and to stimulate commodity circulation. Following the expansion of the enterprises' decisionmaking power, industrial enterprises stepped up reorganization and association. Associations of enterprises were organized in various places. In economically advanced areas, between 20 and 30 percent of their enterprises have joined economic associations. The development of economic associations has improved the enterprises' structure and raised the level of specialization. In addition, it has brought about technological progress and raised economic effectiveness. The management structure of the building industry and capital construction has also been reformed, with a number of enterprises instituting a system of responsibility for investment and a system of contracting out projects through public bidding. Regarding efforts to develop the cities' functions, experiments with comprehensive reform have been carried out in depth. The reform has improved the two cities' capacities in providing comprehensive services. New paths have been broken by Changzhou in structuring production, circulation, technology, and financing networks, and by Nanjing in invigorating city districts. The consolidation and improvement of the system of cities exercising leadership over counties has accelerated the integration between commerce and agriculture and between urban and rural areas.

The comprehensive reform experiments carried out by Changshu, Haian, and Tongshan counties (cities) strengthened economic management at the county level and satisfactorily overcame the problems in overseeing their economies. Regarding wage distribution, Wuxi and other cities instituted a system of labor insurance for retired workers to cope with the longstanding problem of the excessive financial burden on old enterprises which have too many retired workers. Positive steps were carefully taken in various places last year to initially reform price and wage systems. Rstrictions were first eased on the procurement prices of grain, edible oil, and pork. This was followed by the lifting of restrictions on their market prices. Steady steps were taken regarding vegetable prices, lifting or imposing controls as circumstances warranted. In reforming the price system, attention has been paid to the law of value and market demands in order to help develop production, establish production bases, display the dominant position of state commerce, and strengthen market management. Every effort has been made to ensure price flexibility without bringing about chaos and to control prices without having too rigid a structure. Practice has shown that in economic structural reform, it is necessary to follow unified state plans and, at the same time, adopt suitable concrete measures in light of local conditions; it is necessary to uphold the general principle and, at the same time, borrow the successful experience gained by the masses to supplement the general principle with auxiliary measures; and it is necessary to have a positive, exploratory spirit and, at the same time, adopt prudent, careful methods and measures in light of the capacities of the state, the collectives, and the individuals. Only by continuing the economic structural reform and gradually setting up a vigorous management structure in various sectors can we ensure long-term, steady economic growth.

Opening to the outside world was continued. Jiangsu, especially a number of places in the province's south, began to carry out economic and technological exchanges with many foreign countries very early. Jiangsu's economic links with foreign countries have further developed since the State Council designated Nantong and Lianyungang open coastal cities and Suzhou, Wuxi, and Changzhou Prefectures open economic zones. As a result, Jiangsu's economy has become outward oriented. The five open cities have more economic power. They accounted for 54 percent of Jiangsu's industrial and agricultural output value and 61 percent of its financial revenue. In 1985, they procured 3.55 million yuan worth of goods for export, an increase of 16.2 percent over the previous year and 60 percent of export goods procured in the whole province. At the same time, they signed contracts to import 642 technologies, worth $470 million. Most of the imported projects were productive in nature and primarily for increasing their export capacities and renovating old enterprises. Work has begun to digest the imported technologies and to cope and improve the imported equipment. In addition, the cities have approved 44 joint ventures. General planning for the Nantong and Lianyungang economic and general planning development zones is complete, and work has begun to implement the plan. While opening themselves to the outside world, they also actively sought to establish lateral economic ties at home. Lianyungang City is developing its port in cooperation with seven provinces and regions along the Lianyungang-Lanzhou railway line. It also reached agreement with a number of provinces, municipalities, autonomous regions, ministries, state commissions, colleges, research institutes, and military industrial units on more than 200 joint projects. Eighty of these projects have been completed and are in full or partial operation. During this period, Jiangsu has made major progress in widening the path of cooperation. During this period cooperation in our province advanced from cooperation in mainly materials to a new phase of comprehensive cooperation in materials, technology, qualified personnel, and funds. Our province entered economic cooperation with provinces and autonomous regions in central and west China. In 1985 alone, the cooperation in funds amounted to more than 470 million yuan and the cooperation in materials was worth over 2.12 billion yuan. Nanjing City cooperated with Wuhan, Chongqing, and other large cities along the middle and upper reaches of the Chang Jiang to jointly develop the river's "golden water channels." Taking advantage of its position as a communication center, Xuzhou City established ties of economic and technological cooperation with adjoining areas in Jiangsu, Shandong, Henan, and Anhui provinces. Experience in the past two years shows that to develop a favorable situation in opening to the outside world, we must do three things: First, we must expand exports in order to earn more foreign exchange; second, we must pay attention to the utilization of foreign capital and the importation of technology; third, in accordance with the principle of doing what we can, we must step up the construction of the urban infrastructure and in various ways create a favorable environment for investment. Our persistence in opening to the outside world and in promoting internal economic cooperation has stimulated further economic development throughout the province.

The management of macroeconomic activities was strengthened. The Party Central Committee and the State Council made a series of policy decisions to tighten controls over the macro aspects of the economy when disproportion factors appeared in the national economy in the fourth quarter of 1984. Governments at all levels in our province conscientiously carried out these decisions by adopting macroeconomic control measures in the light of actual conditions. Notable results were achieved. By the end of 1985, the province's total credit was kept within the quota fixed by the state lending plan; the use of foreign exchange was restrained to remain within the adjusted quota approved by the state; the money supply shrank by 17 percent over 1984; budgetary investment in fixed assets stayed within the state plan; and the irrational increase in consumption funds also brought under control. Many localities and departments did their best to explore feasible ways to exercise macroeconomic control. For example, after the state moved to control the scale of investment in fixed assets, Shazhou County promptly established some requirements aimed at raising quality and economic results and improving technology and management. Notable results were achieved in popularizing its experience throughout the province. The experience of Changzhou City and Jingjiang County in creatively using their funds was also popularized throughout the province. This forcefully stimulated the development of production. Our province's economy was able to maintain a sustained growth while exercising macroeconomic control because we did fairly well in invigorating the microeconomy while controlling the macro aspects of the economy. This means that we exercised controls over macroeconomic operations in accordance with state policies by proceeding from actual conditions; we did our best to carry out construction and production in accordance with our capacity; we made loans available and readjusted economic operations in an effort to invigorate the microeconomy while exercising macroeconomic control and make macroeconomic control promote microeconomic development.

We persisted in building two civilizations simultaneously. In recent years, while stepping up the building of a material civilization, various localities have begun to pay attention to the building of a spiritual civilization. They have conducted education on situations, policies, the four basic principles, as well as education to encourage people to cherish lofty ideals and moral integrity, to become better educated, and to observe discipline. In light of the people's thoughts in the new period, a variety of colorful educational activities have been carried out, including drives to make people models and urging others to learn from them; to promote the "five stresses, four beauties, and three loves"; to mobilize armymen and civilians to jointly build civilized units; and to invite heroes from the battlefront to report on their deeds. Some units invited people to tell stories of their pursuit of ideals and discipline and to use their own revolutionary thinking and spirit to inspire the vast numbers of people and arouse their tremendous enthusiasm in building socialism. Models of good ideological and political work emerged in various trades and professions. They included the Chenguang State Machinery Factory in Nanjing, the Xiexin Wool Textile Mill in Wuxi, the Yangzi Ethylene Project, and the Xinjiekou Department Store in Nanjing. The vast numbers of cadres were affected by economic measures and administrative actions and were able to realize the role of ideological education and political work. They saw the tangible effects of material civilization and felt the invisible power of spiritual civilization. They were encouraged to attend to ideological, political, and economic work simultaneously in order to obtain results in both spiritual and material civilizations.

3. During the transitional period of the Sixth 5-Year Plan, which had profound historical significance, we encountered many new circumstances and problems and had shortcomings and faults in work. There are still many difficulties and contradictions on our road.

In this period, China carried out strategic shifts in its economic development, management structure, and foreign economic relations. This had a profound historical significance in ensuring the sustained and balanced development of our national economy. In this transitional period, the vast numbers of cadres and people in Jiangsu did a tremendous job and produced impressive results. Their work and achievements must be fully affirmed. However, because our thinking was not adequately adapted to the situation, our work was not very solid and our workstyle was not satisfactory; we have left many problems unsolved. In the process of reform, we tended to use old methods to resolve new problems. After the scope of mandatory planning was reduced and the scope of guidance planning and market regulation was expanded, we failed to satisfactorily handle the relationship between planning and marketing. In our economic construction, infrastructure, such as energy and communications, remained the weak link despite some progress. Along with the development of production and improvement of the people's living standards, contradictions in these sectors will become more prominent. The idea of taking agriculture as the foundation weakened. Input into farmland capital construction declined in recent years. In some areas, water conservancy projects were in disrepair, land deteriorated, and farm machinery became old. The economic effectiveness of our industry did not rise fast enough, some of our products were inferior in quality, high material consumption continued without much change, and our technological and managerial standards and organizational levels were not very high. In addition, progress in controlling urban and rural environmental pollution was slow, and in some places, new sources of environmental pollution appeared. In social welfare, we made some progress in recent years. However, because this work was neglected for so long, our efforts still lack for behind the needs of our economic development. In building spiritual civilization, we failed to give adequate attention to it at a certain period. We failed to fully study ways to integrate ideological and political work with our economic work and carry out the task accordingly. Not many leading comrades went to the grassroots units to gain experience and to serve them. We must make serious efforts to resolve all these questions in the future.

II. Goals and Tasks of the Seventh 5-Year Plan

The Seventh 5-Year Plan is a crucial period for all-round reform of the system of economic, scientific and technological, and educational management. It is also an important period for making material and technical preparations to achieve better economic performance in the 1990's. Success in our work in these 5 years, which will result in a more coordinated development of the socialist modernization program, is of tremendous importance in further consolidating and developing the current excellent situation and in realizing the grand goals by the end of this century.

In keeping with the guidelines of the National Conference of Party Delegates and the fourth session of the Sixth NPC and based on the "Suggestions for the

Seventh 5-Year Plan on Economic and Social Development" adopted at the enlarged meeting of the Third Plenary Session of the Seventh Provincial CPC Committee, the provincial people's government has made special efforts to analyze the overall economic and social development in our province and has compiled the "Draft of the Seventh 5-Year Plan for Economic and Social Development of Jiangsu Province." Some revisions have been made to the draft after preliminary deliberations at the 18th Session of the Standing Committee of the provincial people's congress to be examined, approved, promulgated, and put into force.

The goals to be achieved in Jiangsu's Seventh 5-Year Plan are: By 1990 the province's total industrial and agricultural output value shall be 187 billion yuan, up 47.4 percent from 1985, with an average annual increase of 8 percent. Gross national product shall be 100.1 billion yuan, up 48.9 percent, with an average annual increase of 8.3 percent. National income shall be 85.2 billion yuan, up 46.9 percent, with an average annual increase of 8 percent. Financial revenue shall be 11.8 billion yuan, up 33.8 percent, with an average annual increase of 6 percent. Natural population growth rate shall be kept below 10 per thousand in the 5 years. Scientific and technical progress as well as intellectual development shall be accelerated. All kinds of social undertakings shall be developed. The quality of life as well as the living environment and housing conditions shall further improve. The actual consumption level of urban and rural residents shall increase by 6 percent annually. The pattern of consumption for the people in our province shall gradually take on the characteristics of a comparatively well-off family.

1. On Structural Reform

The central authorities have called for carrying out comprehensive and thorough reform of the economic system in the Seventh 5-Year Plan and straightening out economic relationships in all aspects, so that reform and construction can proceed hand in hand and promote each other's advance. Reform shall be carried out primarily in three aspects: 1) further invigorating the enterprises, the large and medium-sized state-owned enterprises in particular, so that they will truly become relatively independent economic entities and will act as socialist producers of and dealers in commodities, practising independent operation and assuming sole responsibility for their own losses and profits; 2) Further developing socialist commodity markets and gradually perfecting the market structure; 3) gradually switching from direct state control of enterprises to indirect control and establishing a new socialist system to exercise macroscopic management. In accordance with these general requirements of the central authorities, specific guidelines have been studied and presented to our province.

In rural reform, we should sum up experiences and further perfect the output-related system of contracted responsibilities on a household basis, thus firmly, steadily, and thoroughly promoting the development of the second-stage rural reform. The work of switching from unified grain purchase to contract purchase has just got onto the right track. It should be gradually improved and perfected. While maintaining prolonged stability of the two-tier operating system based on household contracts, we should undertake to improve services. Sound regional cooperative economic organizations should be established in accordance with actual needs and capabilities of the localities so that peasant households will be given comprehensive services in information storage, transportation, sales, and so on. This will gradually promote socialization and specialization. While insisting on certain essential requirements and following the principle of voluntary participation by the masses, we should proceed step by step, encourage business operations of varied forms and appropriate sizes, and support the development of integrated entities and specialized households. Continued efforts should be made to readjust the production structure; to correctly handle the relationships between grain production and a diversified economy, between agriculture and the rural industry, and between production and circulation; to form into an organic whole the ideas that "without agriculture, there is no stability," "without industry, there is no prosperity," and "without commerce, there is no flexibility": to promote rural economy; to gradually expand the comprehensive scale of rural commodity production; and to considerably raise economic results. Special efforts should be made to speed up the reform of the system of commodity circulation in rural areas, open up new business opportunities, and find every possible means to clear obstacles in commodity circulation. Supply and marketing cooperatives should truly become collective-owned commercial establishments of the peasants and match the development of the.commodity economy in rural areas.

On the reform in cities, we must continue to make it the central task to further invigorate enterprises, in particular, state-owned large and medium-sized enterprises. We must continue to simplify administration and delegate powers to lower levels in order to enhance the self-transformation and self-development capacity of enterprises. Urban collective enterprises and town and township enterprises must continue to perfect the responsibility system of "one contract and three changes," and state-run small enterprises must be revitalized through lease, concessions, and other forms. Regardless of size, enterprises must look to themselves, constantly perfect their various economic responsibility systems, continue to enforce the plant director (manager) responsibility system, and improve their quality. We must, through reforms, perfect the relations between large and medium-sized enterprises on the one hand and small ones on the other, between state-run and collective enterprises, and between processing industries and industries producing raw and semifinished materials in order to further enhance industrial organization and the capacity of enterprises to supplement one another. We must gradually improve the market system and stimulate commodity circulation. While developing the consumer goods market, we must expand the market for means of production, strengthen relations between urban and rural areas, and smooth out the relationships between producers and consumers and between agricultural and industrial departments. The state-run commercial sector, the supply department, and supply and marketing cooperatives must play their predominant role and take an active part in market regulation. We must step by step develop the capital, technical, and construction markets and effect a rational flow of the labor force in order to meet the needs in the development of the commodity economy. To establish and perfect the socialist market system, the key is to reform the price and price control systems step by step in a planned way according to the State Council's unified arrangements.

In the course of reforming the price system, we must stick to the principle of moving forward steadily and integrating decontrol with adjustment and fully take into consideration the receptivity of the state, enterprises, and people in order to maintain basic stability of commodity prices as a whole. We must continue to successfully carry out reform in the planning, revenue tax, banking, labor, and wage systems. The organizational structure of economic management department should be strengthened while the specialized economic management departments should expand its control over the production and operation of not only enterprises directly under its jurisdiction but also of enterprises of the entire industry. As economic restructuring is being intensified and the national economy is developing, more principles and regulations on economic relations and activities should be finalized in the form of laws so that laws will become an important means to regulate economic relations and activities. Therefore, we must attach tremendous importance to economic legislation and judicial work so that all economic activities will have laws by which to follow. We must ensure that laws are strictly observed and enforced.

On scientific, technical, and educational reform, we must continue to intensify it according to the guidelines of the Party Central Committee's two "decisions." In scientific and technical reform, we must bring into full play the role of the technical market, increase enterprises' technical development ability, and bring about a still better connection between science and technology and production. The management of scientific research units must be improved; the academy president's (institute director's) personal responsibility system must be perfected; and the system of engaging professionals and technicians must be popularized. Reform should continue in the appropriation system. To strengthen the self-development capacity of scientific research units, they should externally follow the remunerated contract system, and internally, they should follow the scientific-research contract responsibility system. In the reform of the educational system, we must accelerate the training of qualified personnel by running schools of all forms at all levels through all possible channels. Regular schools should be run and managed at different levels. Structural reform of secondary education will continue, and the development of vocational and technical education will accelerate. The university and college enrollment system must be reformed, and the scope of training personnel by commission and selective quotas must be expanded. Normal education must be strengthened and reformed to improve the quality of teachers. Research and study of educational and scientific theories must be stepped up; educational philosophy must be quickly reformed; contents and methods of teaching must be improved; and the quality of teaching materials must be raised. On reform in the cultural, public health, and physical education fields, we must further emancipate our minds, continue to adopt effective policies, and carry out the reform in depth.

Reform is a gigantic social systems engineering project with extremely arduous and complex tasks. In the course of reform, old and new structures will continue to coexist and interact, and thus they are liable to give rise to all sorts of loopholes in management and frequent imbalances, or even contradictions, between microflexibility and macroeconomic control. At the same time, reform represents a profound and sustained transformation which does not have a ready model. Some mistakes in our endeavor to explore new ground cannot be avoided. However, compared with the mainstream of reform, which has stimulated the development of productive forces, difficulties and problems in our course of advance are undoubtedly secondary, regional, and temporary phenomena. We should not raise doubts about reform because of contradictions we encounter. Problems cropping up in the course of reform can only be resolved not by taking the road of retrogression but through the continuous deepening and perfecting of reform. As far as leaders at various levels are concerned, they should, with political enthusiasm and enterprising spirit in the practice of reform, seek truth from facts, proceed cautiously, map out careful plans, and exercise meticulous guidance in order to promptly discover and solve problems in the work. With the clear-cut directions, principles, and measures for reform put forth by the central authorities and as long as we closely rely on the broad masses of people throughout the province, tailor measures to local conditions, and realistically sum up experience in practice, we will certainly continue to promote reform on various fronts.

2. On Agriculture

During the Seventh 5-Year Plan, we should further raise our understanding that agriculture is the foundation of the economy, strengthen leadership, and deepen the reform in order to promote agricultural production. Under the Seventh 5-Year Plan, the total value of agricultural production (including industries run by villages and lower units) in 1990 shall be 55.6 billion yuan, topping that of 1985 by 37.3 percent and averaging 6.5 percent annual growth. In line with the principle of sparing no effort in promoting grain production and actively developing diversified undertakings, we will adopt measures suited to local conditions to readjust the structure of agricultural production. Since agriculture is the foundation of the economy and grain is the foundation of agriculture, we should pay close attention to grain production and arrange the production according to the demand for "steady increase, 1,000 jin per capita output, and self-sufficiency with a little surplus to be delivered to other localities," striving to stabilize annual output between 31 and 34 million metric tons. It is also necessary to achieve steady cotton output at around 600,000 metric tons annually. Production of cash crops must be based on domestic and international market needs, and adequate provincial and regional plans should be mapped out to ensure rational distribution of crops. It is necessary to exploit natural resources in an all-round manner and develop forestry, animal husbandry, fishery, and sideline production. Existing bases for producing grain, cotton, edible oil crops, silk cocoons, and hogs should strive to increase output, improve quality, and offer a large proportion of marketable products. It is necessary to step up efforts to carry out plans to build bases for agricultural and subsidiary products and export commodities. In developing agriculture from now on, we will, in addition to implementing policies, rely more and more on scientific and technological progress to improve agricultural production conditions. More investment in agriculture will be made from provincial financial resources, and the practice of spending 25 percent of the investment raised in the province for agricultural capital construction will be gradually resumed. City and county governments should adopt various means and increase agricultural investment through various channels, with the focus on building irrigation and water conservancy facilities and improving production conditions. It is necessary to continue to implement the policy of "actively supporting, rationally planning, correctly guiding, and strengthening the supervision of" the development of village and town enterprises and offer practical guidance case by case in order to make the best use of economic advantage of various localities. In areas with relatively developed village and town enterprises, it is necessary to especially improve quality and efficiency and divert the market target from mainly serving domestic needs to equally stressing the development of overseas markets. In areas with a relatively late start in village and town enterprises, they should make ample use of local resources and set up various kinds of enterprises in a more effective way. It is necessary to carry out technical transformation of existing enterprises in a planned and selective manner. Efforts should be made to carry out the "spark plan" and strive to complete a number of projects that require a short construction period and little investment but will yield quick economic results. It is necessary to pay special attention to raise the quality of management, improve its basic work, and turn out standard products. It is also necessary to uphold the policy of "subsidizing agriculture with industry"; to balance personal incomes in industry and agriculture; to develop agriculture along the direction of "building up agriculture on the basis of industry"; and to reinforce material and technological foundations in order to promote a sustained, steady, and balanced development of agriculture and the rural economy as a whole.

3. On Industry

During the Seventh 5-Year Plan, we must consider the increase of economic effects as the key to industrial development, striving to improve product quality, lower material consumption, and maintain an appropriate growth rate. The Seventh 5-Year Plan stipulates that the total industrial output value in 1990 should be 131.4 billion yuan, 52.1 percent over that of 1985 and averaging an 8.7 percent annual increase. This is a positive growth rate, yet it leaves some leeway. This is because, on the one hand, we want to further balance economic relations, prepare a good economic environment for restructuring, and focus our attention on increasing economic effects, improving product quality, and elevating our technical and management levels. On the other hand, we have taken into consideration that in the near future, the production and supply of energy and raw and semifinished materials will not increase markedly, the problem of a shortage of transportation will not be greatly changed, and shortages of funds and foreign exchange cannot be greatly countered. Historical experience shows that the plan targets, if safely set in view of a comprehensive balance, are conducive to protecting and increasing the enthusiasm of the masses and production units and ensuring that the national economy develops harmoniously and proportionately. Under the precondition that we must seek economic effects and social benefits and at the same time must not disrupt plans for capital construction, credit and loans, foreign exchange, and consumer funds, we must strive to achieve a sustained, higher speed according to needs and possibilities. This will help ensure good markets and export and revenue situations and preserve the good tendency of the vigorous economic development. Capital construction and technical transformation during the Sixth 5-Year Plan constituted new production capabilities. More new input will be added during the Seventh 5-Year Plan. As reform is intensified, more enterprise potentials will be tapped. If we just do our work well, the results of implementing the plan may and should surpass the above-mentioned targets.

To improve economic effects, efforts should be made chiefly to improve our technical and management levels. We should conduct technical transformation, remodeling, and expansion of existing enterprises on the present basis. This is the important way to increase economic effects. During this period, our province's technical transformation should be conducted to improve product quality and processing levels, increase variety, and lower consumption of energy and raw and semifinished materials. Emphasis should be placed on large and medium-sized enterprises which have a bearing on the national economy as a whole, the backbone enterprises which can act as role models in industrial technical progress, and enterprises which are charged with the mission of exports. The machinery and electronic industries are the equipment department of the national economy and, therefore, should be the first to undergo technical transformation. Technical transformation should be perfectly connected with industrial adjustment and enterprises' structural reorganization. It should be conducted step by step in selected key enterprises, and systematically throughout an industry instead of the past scattered technical transformation here and there. We must encourage enterprises and the masses of staff members and workers to make rational proposals and launch a mass movement in technical innovation. We must make full use of the national defense industry's technological superiority and successfully effect the transfer of military industrial technology to civilian industries. We must pay attention to the world's new technological revolution, selectively use new technologies to reform our traditional industries, and actively develop new technologies and form certain new industries. At the same time, we will continue to import advanced technology and equipment, stressing digestion, assimilation, imitation, and innovation and gradually producing our own technologies. We will strive, through hard work, to have over 50 percent of our major industrial products by the end of the Seventh 5-Year Plan match the international standard of the late 1970s and early 1980s, with some of them reaching the current international advanced level. We must attach importance to technical transformation and still greater importance to management. In view of the practical condition of our province, improvement and strengthening of management and elevation of the operational management level are of more urgent and immediate significance. All industries must study their respective economic and technological policies and, according to the principle of specialized and socialized great production and economic feasibility, make efforts to form various types of associations of scientific research, design, and production units. Enterprises must gradually enforce all-out quality control and cost and financial management, do the foundation work for enterprise management well, and perfect all the management systems for quality control, energy conservation, and consumption reduction. Enterprises with a better foundation must promote modernized management and establish a high-efficiency management system.

4. Concerning the Key Construction Projects

In the Seventh 5-Year Plan, while maintaining the appropriate scale of investment in fixed assets, we should reasonably readjust the investment structure, guarantee the construction of key projects in energy, communications, and raw and semifinished materials, and strive to increase investment returns. The state has earmarked 25.8 billion yuan of investment in fixed assets for our province, of which 16.7 billion yuan is investment in capital construction projects, 47.9 percent more than the Sixth 5-Year Plan. Some 60 large and medium-sized projects will be built, including the Yangzi Ethylene project, the Yizheng Large Chemical Fiber Plant, the Lianyungang Soda Plant, the Nanjing Automobile Manufacturing Plant, the No. 742 Microcomputer Scientific Research and Production Complex, and other projects which have been continued or have just started. The province also plans to build some civil aviation facilities and ports. On completion, these projects will provide a powerful basis and support for Jiangsu's economic development and technical progress. In industrial production, more manufactured goods and fewer farm and sideline products are being used as raw and semifinished materials. Transportation has also improved. These very important factors constitute a powerful force for sustaining our province's economic growth. The question of electric power should be addressed here. The acute problem in the supply and demand of electric power currently experienced by our province has created many difficulties for production, construction, and the people's livelihood. Great efforts should be made to gradually solve this problem. During this period, our province has listed power projects as the most crucial of the key projects. The planned construction scale is 3.38 million kilowatts. Large and medium-sized projects included in the state plan are the power plants in Xuzhou, Jianbi, Tianshenggang, Yangzhou, Xinhai, Yancheng, and the No. 2 Nanjing Thermal Power Plant. Other power plants that combine hydroelectric and thermal power as well as self-contained power stations of large enterprises will also be built. Therefore, by 1990 the installed capacity will reach 6.98 million kilowatts, nearly doubling the figure at the end of 1985. By that time, power shortages in many places will be eased. Meanwhile, the construction of corresponding projects for power transmission and transformation should be stepped up. Preparatory work for the construction of the Gishuyan Power Plant, the Xuliujing Power Plant, and others should be done well. All cities and counties should also closely attend to the small and medium-sized generating sets now under construction, in addition to the key projects of the state and the province.

V. Concerning Foreign Exchange Earning Through Exports

In the Seventh 5-Year Plan, we should persist in opening to the outside world and raise the standard of work in this field. It is necessary to fully realize the importance of the "two cities, one area, and four ports" (namely, Nanjing and Lianyungang Cities; the Suzhou-Wuxi-Changzhou area; and the ports of Nantong, Lianyungang, Zhangjiagang, and Nanjing) as well as the advantages of opening them to the outside world. We should strive to do our work well, vigorously develop foreign trade, speed up the use of foreign capital and the import of technology, and actively develop knowledge- and technology-intensive enterprises as well as hi-tech enterprises. Large amount of foreign exchange is needed to import advanced technology and the essential materials, to serve as principal and interests for repaying the foreign capital used, to develop economic and technical cooperation with foreign countries, and to carry out technological exchanges. Therefore, we should regard enhancing the capacity to earn foreign exchange through exports as the key to ensuring success in

production and construction. We should explore new approaches to earn foreign exchange through exports in order to meet the need of the ever-expanding economic and technical exchanges with foreign countries. This is a strategic measure for invigorating our province's economy. The Seventh 5-Year Plan requires that by 1990 the province's export volume reach $2.4 billion to $3 billion, an increase of 56 to 95 percent over 1985, with an average annual increase of 9 to 14 percent, and that some $500 million to $750 million of foreign capital be used. To earn more foreign exchange through exports, it is necessary to set store by the quality of export commodities, exploit the advantages of light industrial products and textiles, and increase the exports of farm, sideline, and native produce, as well as new types of foods. To promote exports of chemicals, pharmaceuticals, building materials, and mineral products, more varieties should be offered. We should improve the technology for manufacturing machinery and electronic products and successfully combine the mechanical and electrical equipment and instruments to provide a good foundation for exports. Measures to be taken include:
1) Establishing a system for producing export commodities. In keeping with the principle of combining foreign trade, industry, and agriculture, we should run well the bases for producing farm, sideline, and native produce for export, and convert into specialized export commodity plants those enterprises whose export products account for more than half of the products manufactured and whose foreign exchange earnings have reached a certain level. Meanwhile, armament enterprises and village and town enterprises should be encouraged to produce export commodities so as to exploit new advantages in foreign trade. 2) Improving the product mix of export commodities, and gradually switching from exporting primary products to exporting end products. 3) Constantly implementing inducement policies and measures such as the system of profit retention for those who have earned foreign exchange through exports, so as to mobilize the enthusiasm of enterprises and individuals for producing and supplying export commodities. 4) Actively promoting the integration of foreign trade with industry, agriculture, and technology, and of imports with exports; and give selected, qualified large and medium-sized enterprises the power to deal with foreign firms directly. Open areas and cities should run well the corporations for foreign economic relations and trade which have been approved. 5) Actively exploring the international market, adopting flexible and varied trading methods to increase transaction volume, and gradually establishing and perfecting sales and service networks abroad. We should also develop tourism, do a good job of contracting for construction projects abroad, and expand labor service cooperation and technical exports.

6. On Science, Education, and Culture

During the Seventh 5-Year Plan, we should accelerate the development of scientific and educational undertakings and gradually adapt them to meeting the needs for developing the economy and improving the people's livelihood. Science and technology should be oriented to economic construction and closely combined with production to ensure that Jiangsu's economy will develop along with scientific and technological progress. Currently it is of strategic importance to stress science and technology in all quarters, instilling in them a pressing sense of speeding up scientific and technological development. It is necessary to develop all undertakings in the fields of production, construction, and circulation along with scientific and technological progress, and to earnestly concentrate efforts to tackle key projects assigned by the state and the province. Investigation should be conducted in all trades for finding out problems existing in production and solving them through scientific research. At the same time, we should promptly apply the fruits of scientific and technical projects that can produce quick economic results to promote production. It is also necessary to explore new areas of technology and gradually set up new industries. Study of agricultural sciences, development of technology, and farm mechanization should be listed on the agenda. It is necessary to step up the study of philosophy and other social sciences, especially economic theory, for exploring and solving new problems cropping up in reform and construction. Since talented personnel are the key and education the foundation for promoting scientific and technological progress and accelerating development in all fields of endeavor, we must earnestly strengthen basic education, actively popularize the 9-year compulsory education system, continue to improve higher education and adult education, and raise the quality of education at all levels. It is also necessary to gradually institute and perfect a system of continuing education for scientific and technical personnel and teachers, and to ensure that an increase in educational expenditures must be higher than that of the regular financial revenues of provincial, city, and county governments, and that educational expenses per student enrolled in school be increased accordingly. The proportion of educational appropriations in financial expenditures should be gradually expanded, and increases in capital construction investment should first be used for educational undertakings. It is necessary to intensify the supervision of educational expenditures and persist in running school industriously and thriftily. Further efforts should be made to promote cultural, public health, and physical sports undertakings so that they can advance along with economic development. It is also necessary to vigorously tap potentials and coordinate state, collective, and community forces to jointly achieve progress in these undertakings.

7. On the People's Livelihood and Social Welfare

The aim of socialist production is to continuously satisfy the people's growing material and cultural needs. This is the starting point of all policies for socialist modernization. While formulating Jiangsu's Seventh 5-Year Plan, we paid attention to properly handling the relationship between improvement of the people's livelihood and production and construction on the one hand and the increase in workers' wages and the growth of labor productivity on the other hand. We made all-round arrangements to ensure that the people's livelihood would continue to improve on the basis of development of production and better economic effectiveness. It should be pointed out that while increases in workers' wages and greater employment opportunity constitute an important aspect of continuously improving people's livelihood, providing better public facilities and living conditions is another important aspect. The latter is the area in which we lag behind. We should intensify the construction of such public facilities as water, power, and gas supply; drainage works; roads; transportation; and telephones, and should speed up housing construction in a planned manner and within the limits of our resources. In order to provide clean and comfortable living and working conditions for the people, we should step up the monitoring, preventing, and controlling of environmental pollution by industrial waste, noise, and other public hazards, as well as plant more trees and build more gardens to beautify the environment. We should also gradually set up and improve a social security system, develop social welfare undertakings, and actively take care of the life of the aged, children, and disabled by providing adequate relief for them. We should show concern for and assist the construction of old revolutionary bases and help the impoverished there to become better off through developing production. While continuing to improve the people's livelihood and raise their material and cultural living standards, we should also advocate the spirit of working hard and arduously, strictly control excessive growth of consumption funds, and guard against irrational competition for higher wages and better welfare.

8. On Geographical Distribution of Regional Economic Undertakings

Jiangsu is a province in the eastern coastal region with a comparatively better economic foundation. We should accelerate our pace in introducing investment from abroad and establishing lateral ties at home, and make more contributions to China's economic development in accordance with the central authorities' instruction on correctly handling the relations among China's east, central, and west economic regions and on expediting the development of the eastern region. Geographically, Jiangsu is divided into the southern and the northern regions. As the two regions had different economic foundations, they are now at different levels in economic development. The principle of actively improving the conditions of southern Jiangsu and accelerating the development of northern Jiangsu, put forward by the provincial party committee, is an important strategy for Jiangsu's regional economic development. In the past 3 years and more, the province and all cities and counties have done a great deal of work and explored some ways to improve the conditions of the southern region and develop the northern region. On the basis of what we have done, we should strive to make greater achievements during the Seventh 5-Year Plan. The southern region should take advantage of its favorable natural and geographical conditions and its comparatively more developed commodity economy to strive to raise its science, technology, and modern management to the world's advanced level. It should speed up the modernization of agriculture, improve the technology and equipment of its village and town enterprises, actively develop new urban industries, and develop the production of high-grade consumer goods and the tertiary industry. After the productive forces are enhanced to a considerable extent, we should help the people in the southern region become well-to-do first. Northern Jiangsu should take full advantage of its abundant natural resources and make proper development and use of its water areas, beaches, the old Huang He riverbed, and other resources. It should step up the construction of communications, electric power, water conservancy and other basic facilities. The provincial authorities should build, renovate, and expand a number of key projects in the northern region according to plan; develop education and accelerate personnel training there and support it with flexible policies and materials; and transfer office cadres to work there on a rotational basis. Various provincial organs have already dispatched 600 persons to grassroots units. In the last few years, some counties and townships in northern Jiangsu have gained some experience in success. We should make great efforts to sum up and popularize their experience to promote economic development in the region. By making efforts in various respects, we should gradually turn northern Jiangsu into a production base for yielding a large quantity of commercial grain and agricultural and sideline products, and into a production base for energy, raw and processed materials, and food, and develop a number of processing industries there according to local conditions. Southern Jiangsu and northern Jiangsu should take their own road of economic development in consideration of their own realities. At the same time, they should support and cooperate with each other to promote a common prosperity. This is not only important to realizing the objectives of Jiangsu's Seventh 5-Year Plan, but is also of far-reaching significance to accomplishing the province's grand objectives for the period between now and the end of the century.

In order to ensure the fulfillment of the Seventh 5-Year Plan, we should step up the building of socialist spiritual civilization while building material civilization. Socialist construction includes the building of socialist material civilization and the building of socialist spiritual civilization, and we must persistently build both. If we build only material civilization and neglect spiritual civilization, we will be unable to guarantee a correct and socialist orientation for our modernization drive. The development of education, culture, public health, and physical culture is an important prerequisite for building material civilization, as well as for raising the people's ideological awareness and moral standards. We should persistently keep to an orientation of serving the people and socialism, correctly handle the relationship between economic results and social benefit, and put social benefit above all else. In education, we should seriously implement the policy of promoting the moral, intellectual, physical, and aesthetic development of students. Schools should intensify education in the love of labor to varying degrees according to their specific requirements and train qualified personnel in various specialities. Teachers should teach and cultivate students and be worthy of their name. Literary and art workers should strive to create more and better works that reflect the new look of the times and enrich the people's cultural life. We should actively promote mass cultural and sports activities to invigorate the people's spare-time cultural life. Ideological and political work is a fundamental guarantee to keep the four modernizations on the right track. We should persistently educate the cadres and people in the four basic principles and to have lofty ideals, moral integrity, knowledge, and a sense of discipline. We should enhance our ability to resist corruption by capitalist and feudalist thinking under the new circumstances and strive to foster a civilized, sound, positive, and enterprising mental attitude. We should carry out education in the current situation and policies as an important part of the ideological and political work taking into consideration reality; we should further identify the people's thinking with the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. In the economic field, we should energetically advocate good working ethics and enterprise reputation; run business operations and factories in a civilized way; oppose the attitude of "putting money above all else" and the behavior of seeking private gains at public expense; abide by law and discipline; and resist all irregularities and decadent business practices. Government organizations at all levels should set examples of correcting unhealthy tendencies. The majority of our government functionaries is conscientious, diligent, and hard working, and the main trend is good. However, problems do exist in some localities and organizations. For instance, some of their personnel are bureaucratic; neglect their duties; violate regulations; engage in business operations for profits; vie to go abroad under various pretexts; or go sightseeing at government expense. Others even commit such serious crimes as embezzling and taking bribes. We must resolutely correct these phenomena because they not only hurt the prestige of the government but also corrupt social values. Leading organs and leading cadres at all levels should set strict demands for themselves and set an example in performing good deeds to bring about a fundamental change for the better in the standards of social conduct. We should strengthen the building of democracy and the legal system and carry out education in legal knowledge among all citizens group by group and step by step. We should guide the people in learning legal knowledge, knowing and obeying laws, and conscientiously applying the law in dealing with serious crimes, including serious economic crimes. At the same time, we should strive for a general improvement in public order and persistently take measures to bring about a fundamental change for the better in public order and in the standards of social conduct.

Deputies, the tasks during the Seventh 5-Year Plan are heavy and arduous. If we unite and work hard in a down-to-earth way in the spirit of the foolish old man who moved mountains, we can surely fulfill the Seventh 5-Year Plan completely, and we can surely do better during the Seventh 5-Year Plan than we did in the last 5 years becuase we now have a clear and definite blueprint and many favorable conditions. After we accomplish this task, Jiangsu's economy will have more vitality and greater strength; our levels of science, technology, and management will be raised; and the living standards of urban and rural people will be further improved. By then, this province will enter a new period of vigorous economic development, and we will be marching toward the grand objectives set for the period between now and the end of the century.

III. The Principal Tasks in 1986

1986 is the first year of the Seventh 5-Year Plan. It is also the first year of the crucial period for the overall reform of the economic structure. It is highly important to do a good job of economic construction and all other work this year in order to make a good start on the implementation of the plan. The "Draft Plan for Jiangsu's Economic and Social Development in 1985," drawn up by the provincial people's government, will be separately submitted to our fellow deputies for deliberation.

On this year's economic work, we must continue to keep total consumer demand under control to guarantee steady growth in the economy. With this general requirement in mind, we must not only further enliven our local economy, but also strengthen and improve our overall management. We must stop demanding uniformity in everything. We must continue to keep our excessive consumer demand under control and at the same time strive to improve supply. We must maintain appropriate economic growth rates on the basis of increased economic results. According to this year's plan, the total value of industrial and agricultural output should increase at a rate of 8.7 percent of last year's. Of that total, the value of industrial output will rise at a rate of

10 percent while the value of agricultural output will rise at a rate of 3.5 percent (not including industries at and below the village level). The gross national product is to increase by 8 percent while revenues are to increase by 9.6 percent (guaranteed rate).

Considering what we achieved in the first quarter, the province's economic situation is good. The value of industrial output reached 20.7 billion yuan, an increase of 7.6 percent over the corresponding period of last year. Revenues amounted to 2.27 billion yuan, an increase of 6.8 percent. It should be noted that while there are numerous favorable conditions in our production, we also face quite a few difficulties. Therefore, we must seek unity of thinking, develop a positive and enterprising spirit, and strive hard to fulfill this year's economic tasks.

1. Strive for bumper harvests by every possible means

The grain production task the state sets for our province is 31.5 million metric tons, while the cotton production task set for our province is 600,000 metric tons. We must guarantee the fulfillment of both tasks. To guarantee the successful production of grain and cotton we must pay attention to acreage, strengthen field management, and increase per-mu yields. It is necessary to do a good job of preventing floods and fighting natural disasters. We must be able to fight natural disasters while striving for bumper harvests.

In addition, it is necessary to actively develop forestry, animal husbandry, sideline production, and fishery. It is necessary to firmly grasp vegetable production in the suburbs of large and medium-sized cities. Rural enterprises must disseminate the experience of improving product quality, technology, and management; making high quality products; earning more foreign exchange; and raising economic results, so as to promote steady and healthy development. In order to guarantee the sustained growth of agricultural production we must reform and strengthen our service structure. It is necessary to do a good job of service before, during, and after agricultural production and exert effort to increase the production and supply of chemical fertilizer, insecticide, farm machinery, and other means of production. It is necessary to assign personnel to design new farm machines, finalize their design, and form complete sets of them. It is necessary to continue strengthening rural land management and resolutely curb the unhealthy trend of irresponsibly enclosing or using arable land.

2. Strive to develop the production of consumer goods

It is necessary to draw up a plan for increasing the production of famous brand, top quality products, marketable products, and high- and medium-grade products. It is necessary to do a good job of economic coordination. It is necessary to restrict the production of goods the supply of which exceeds demand and guarantee increased production of goods the supply of which falls short of demand. It is necessary to create new production categories and develop new varieties and products.

It is necessary to increase the rate of quality stability this year from 74 percent to more than 80 percent, so that the quality of 100 key products can reach or be close to advanced international levels and 500 products can reach advanced domestic levels. This year all enterprises directly under the counties and units above the county level must strive for production in accordance with standards. In order to need demand in the production of consumer goods, we must conserve and rationally use energy resources and raw and other materials and reserve the upturn in production costs. We must strive to improve existing enterprises' technology. This year we must firmly grasp the technical transformation of 100 most marketable products, 200 backbone enterprises, and 300 key projects; the digestion, absorption, and reproduction of 10 projects; and the tackling of key technical problems in 21 projects.

We have taken and are still taking measures to ease shortages in the power supply. We are striving to increase our power supply by 3.7 billion kwh by making our old generators generate electricity stably and at full capacity and our new generators generate more electricity earlier, subject to the prerequisite of safety and improvement in operation and construction. We must use electricity in a planned way and encourage people to conserve 600 million kwh of electricity. We must firmly grasp the above-mentioned measures to greatly develop the production of consumer goods and markedly raise our economic results in industry.

3. It is necessary to strictly control the scale of investment in fixed assets. Of the 825 million yuan investment for capital construction in state enterprises in Jiangsu this year, the portion of funds raised by the province is 10 percent less than last year, and of the 1,547 million yuan investment for technological transformation, 25 percent less. Although these decreases may create certain difficulties, we must consider the overall situation and ensure that we do not overspend. In strictly controlling investment scale, we must not only reduce the overall scale but must also rationally readjust the investment structure and step up efforts to liquidate unauthorized projects already under construction to guarantee key construction projects. Local budgetary investment should be used mainly on finishing up or continuing projects already under construction, while local extrabudgetary investment should be focused on the construction of energy, transportation, and raw and semifinished materials industrial infrastructure and on tertiary industry. As far as assistance to village and town enterprises is concerned, it is necessary to pay attention to their geographical distribution as well as local resources in determining the focal points and proper ratio of our investment.

4. It is necessary to strive to expand foreign trade and ensure market supply. We should strive to overfulfill the target of $1,532 million foreign exchange to be earned from Jiangsu's exports under the state plan this year. Currently, it is of crucial importance to ensure sufficient supply of marketable export commodities and guard against their diversion to the domestic market. To ensure steady supply of export goods, it is necessary to continue to give them priority in the supply of funds, raw and semifinished materials, and electric power. Vigorous efforts should be made to improve the quality of export commodities, increase their variety and design, and update them so that we can timely win a bigger international market with better and newer goods. While improving export commodity supply, it is necessary to map out an overall plan to ensure domestic market supply. Commerce departments should take active measures to formulate commodity purchasing and marketing plans

and improve the procurement and supply of manufactured consumer goods, especially those in short supply. They should also cooperate with industrial departments in coordinating production and consumption and striving to balance supply and demand. It is necessary to intensify the supervision over the procurement and supply of farm and subsidiary products to ensure the fulfillment of procurement and allocation plans for grain, cotton, and some other farm and subsidiary products having a vital bearing on the national economy and the people's livelihood. In order to improve supply, it is necessary to purchase or trade, by contract, meat, poultry, eggs, aquatic products, and vegetables, for which the fixed purchase system has been abolished. State-run commercial establishments should play the leading role in controlling the wholesale of goods in short supply by setting up a reserve system of major commodities and actively taking part in market regulation. At the same time, it is necessary to expand commercial facilities and outlets for enlivening circulation. It is necessary to reinforce market price supervision and strictly prohibit wanton price hikes or price rises in disguised form in order to effectively protect consumer interests.

5. It is necessary to improve financial and banking work and the allocation of funds and materials. Jiangsu faces a rather tough financial task this year, which must be fulfilled. The key to the fulfillment lies in expanding production and exploring new financial resources. At the same time, it is necessary to pay close attention to tax work and to collect taxes in full and in due time. It is also necessary to continue to make efforts to fulfill the state quota to reduce deficits and increase profits by focusing our attention on major deficit-ridden or profit-making units and on unprofitable products of profit-making enterprises. In view of the relatively difficult task in Jiangsu's financial revenues and expenditures this year, we should map out proper arrangement within the limits of our abilities and in line with the principle of giving overall consideration and ensuring priorities. Aside from expenses for technological transformation and price subsidies for meat, priority should be given to appropriately increasing investment in the development of intellectual resources and to agriculture expenditures, key construction projects, and retention of indispensable funds to combat natural disasters. It is necessary to reinforce financial and economic discipline and successfully complete the general checkup of financial and tax work. To assist production and construction units in raising funds, banking departments should explore new fund sources and increase savings deposits through various channels. It is also necessary to rationally utilize funds, readjust the structure of loans, improve management method, and raise the utilization rate of funds. Material supply departments should accelerate the delivery of materials, earnestly carry out warehouse inventory, pay close attention to conservation, and step up cooperation with other departments. They should also appropriately increase imports to replenish resources that Jiangsu needs.

6. Conscientiously reform the economic structure,

The principles of this year's economic structural reform are "Consolidation, assimilation, supplementation, and improvement," keeping the advantages and eliminating the disadvantages, and solving outstanding questions, so that reform can bring us greater benefits and we can fully prepare for the important new steps in reform during the next 2 years. This principle, when carried out, can help our economy grow steadily. It can also further deepen our reform. To implement this principle, we must firmly grasp the following: First, allow assimilation and supplementation of existing price and wage reforms, and solve persistent, outstanding questions. On price reform, the state has decided not to adopt further major measures this year. This is mainly to allow all sides to assimilate and improve the measures already carried out, to keep the general level of commodity prices basically stable. The upswing in the general level of Jiangsu's retail commodity prices this year must be kept within 5 percent. This will call for great efforts to stabilize the price of nonstaple foods, particularly vegetables, meat, and eggs. It is necessary to systematically solve long-standing questions concerning the price of industrial consumer goods. Prices of rolled steel, cement, and other principal means of production not under the state plan must be kept under proper control. It is necessary to straighten out collection of fees for tertiary industry and gradually readjust various charges in order of importance and urgency. Raising prices at will is not permitted. This year, it is necessary to solve outstanding unreasonable questions concerning reform of wage system in state organs and institutions. It is necessary to readjust and reform wage structure in enterprises according to the state's related regulations and plan. Second, further invigorate large and medium-sized enterprises. This year, the state will adopt the important measures of reducing regulatory tax and raising the depreciation rate. Departments concerned under the provincial government must, on the basis of investigation and study, draw up specific plan and submit it to the authorities for approval, and guarantee that the money is used properly. It is also necessary to continue to put various companies in order. The focal point of the work is to consolidate and reorganize companies of an administrative nature and those whose administrative responsibility is inseparable from their enterprise responsibility, and reduce the number of intermediate levels. Inside an enterprise, it is necessary to lay emphasis on consolidating and improving various economic responsibility systems, properly assign lower-level units to be accounting units, practice management at different levels, and correctly handle the relationship between control and decontrol, between undertaking one production task and the diversified economy, and between production and auxiliary workshops. It is necessary to raise an enterprise's ability to transform and develop through internal and external reforms. Third, promote lateral economic integration. We must make great efforts to promote lateral economic ties among enterprises and continue to develop them among prefectures, based on the principles of voluntary participation, fostering strengths and circumventing weaknesses, adopting a variety of forms, mutual benefits and simultaneous development. We must gradually establish a new form of enterprise structure, characterized by integration of urban and rural areas, well-proportioned development of big, medium, and small enterprises, a close combination of production, scientific research, and circulation of commodities, and rational use of productive forces, to promote development of the province's economy for specialization and modernization. Through grasping economic integration and promoting reforms, we must discover and resolve, in a timely manner, those problems existing in our present systems, regulations, and rules which hamper economic integration, so that our work of economic structural reform will be further promoted. Fourth, we must correctly carry out various experimental reforms. Regarding the experimental work in Changzhou and Zhenjiang cities on the establishment of markets for means of production, reform of the banking system, commercialization of living quarters, and organizational reform, it is imperative to conduct investigation and study, map out plans, and strengthen leadership to see that the work is earnestly carried out.

As far as science, education, culture, public health, and physical culture are concerned, we should successfully carry out the reform and work in all fields this year in line with the demands set in the Seventh 5-Year Plan.

The intensification of ideological and political work and stress on building a socialist spiritual civilization are important guarantees for fulfilling the tasks of this year. Currently, it is necessary to pay particular attention to studying and publicizing the guidelines of the Fourth Session of the Sixth NPC and Premier Zhao Ziyang's report on the Seventh 5-Year Plan, regarding them as essential contents of the ideological and political work. Through study and publicity, it is necessary to make the broad masses of cadres and people have a better assessment of the situation, achieve greater unity in thinking, and understand the tasks more clearly, thereby inspiring their fighting spirit, enthusiasm, and dedication to build socialism. In order to further improve general social conduct, all trades and professions in Jiangsu should launch extensive and in-depth activities to cultivate, learn from, and catch up with advanced models, encourage socialist justice, and oppose and resist all sorts of unhealthy trends.

Fellow deputies:

In retrospect, implementation of the Sixth 5-Year Plan shows that under the correct leadership of the Party Central Committee and the State Council, Jiangsu's economy developed along a new road at a more reliable pace, with better efficiency, and more benefits to the people. As a result of practice and exploration over the last few years, a new socialist economic system full of vigor and vitality is now taking shape; economic and social development is becoming more harmonious; and a bright future for socialist modernization is emerging. Looking at the prospects of the Seventh 5-Year Plan, we shall continue to advance along the correct course chartered by the Party Central Committee. Inspired by the guidelines of the National Conference of Party Delegates and the Fourth Session of the Sixth NPC, the people of the whole province have gone all out to carry out the four modernizations program. The Seventh 5-Year Plan of Jiangsu, after it is approved by the current session, will give the people throughout the province a clearer fighting goal for the near future. We are convinced that as long as we continue to implement the party's principles and policies in the light of actual conditions in Jiangsu; carry out the current work with our long-range development in mind; build socialism in both its material and spiritual aspects; and struggle in unity to realize the splendid plan, the socialist undertaking in Jiangsu will advance with each passing day, our Seventh 5-Year Plan will certainly be fulfilled, and Jiangsu's economy will surely prosper!

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CSO: 4006/1034

ECONOMIC PLANNING

SHANXI PLANNING, FINANCE CHIEFS REPORT ON WORK

HK090117 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 8 May 86

[Excerpts] The fourth session of the Sixth Provincial People's Congress held its second full gathering on 8 May to listen to a report by (Wu Jinzhou), director of the provincial planning commission, on the draft plan for economic and social development in 1986, and a report by (Yan Yuansuo), director of the provincial finance department, on the final accounts for 1985 and the draft budget for 1986.

(Wu Jinzhou) said: The draft plan calls for total social output value this year to rise by 8 percent over 1985, national income to increase by 8.2 percent, and agricultural and industrial output value to rise respectively by 4 percent and 7.9 percent.

(Wu Jinzhou) stressed: We must vigorously promote agricultural diversification this year, under the premise of ensuring a steady increase in grain output, so as to invigorate the rural economy. In industry, we must maintain an appropriate growth rate on the basis of improving product quality and economic results. We must strictly control investment in fixed assets, and improve the structure and results of investment. At the same time we must do a good job of arranging supplies of best-selling products for the markets, further enliven the markets, and ensure basic price stability. We should also further expand external exchanges.

(Yan Yuansuo) said in his report: The growth of industrial production in Shanxi last year was relatively sound, and there was a synchronous rise in output value, sales, income, and profit and tax delivery. Despite serious natural disasters, the province achieved the third best harvest since the founding of the state.

He said: The main principle in arranging this year's budget is to correctly bring into play the functional role of finance and maintain steady growth in revenue on the basis of promoting the development of production and improvement in economic results.

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CSO: 4006/1032

SHANGHAI PORT PLACED UNDER 'DUAL LEADERSHIP'

OW090557 Beijing XINHUA Domestic Service in Chinese 1414 GMT 8 May 86

[By reporter Feng Yizhen]

[Text] Shanghai, 8 May (XINHUA)--Beginning this year, Shanghai Port, the largest seaport in China, will be placed under a system of dual leadership--leadership by the Ministry of Communications and by the Shanghai Municipal Government--especially under the leadership of the Shanghai Municipal Government. A ceremony to change leadership was held in Shanghai today.

At the request of a leading comrade of the State Council, Zhao Weichen, deputy head of the State Council's leading group in charge of sea, land and air ports, presided over today's ceremony. Qian Yongchang, minister of communications, and Jiang Zemin, mayor of Shanghai, signed and exchanged the texts of the Protocol on the Change in the Administrative System of Shanghai Port.

Shanghai is one of the 10 largest seaports of the world, each handling over 100 million metric tons of cargo annually. It is also China's largest seaport handling domestic and foreign trade and an important center for river and sea transportation. Reforming the administrative system of Shanghai Port is an important decision of the central authorities. It serves as a major step in restructuring communications and transportation administration, as well as an important part of the project to restructure the entire economic system. The reform is aimed at giving Shanghai port greater decisionmaking powers to further revitalize its operation as an old seaport and to better serve production, foreign trade, and all provinces and municipalities along the Chang Jiang as well as various other parts of the country.

Following the reform, the Shanghai Port fiscal policy will be that of "supporting itself with its own resources." It will also expedite the reconstruction of the old port zone and the construction of a new port zone. Under Shanghai's general development plan, it will also intensify efforts to complete the various preliminary projects in developing the new port zone in order to solve once and for all the problem of port capacity not keeping up with objective needs.

After the ceremony, the Shanghai Harbor Administration of the Ministry of Communications was renamed "Shanghai Port Bureau," and the "Shanghai Bureau for the Supervision of Sea Security` of the Ministry of Communications" was established.

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CSO: 4006/1032

JIANGSU'S GU XIULIAN ATTENDS INDUSTRIAL MEETING

OW071235 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 6 May 86

[Excerpts] The Ministry of Electronics Industry and the Jiangsu Provincial Government held a meeting on 6 May in Nanjing on placing some enterprises originally run by the ministry under the authority of the City of Nanjing. It was announced at the meeting that a total of seven enterprises originally run by the Ministry of Electronics will be placed under the authority of the City of Nanjing. The seven enterprises are: the Nanjing radio factory, the Changjiang machinery plant, the Nanjing telecommunications equipment plant, the Huadong electron tubes factory, the Xinlian machinery plant, and the Jinling radio equipment plant. They are large and medium-sized enterprises with fairly high technical standards and a solid foundation. They constitute the main force of Jiangsu's electronics industry.

In a joint circular, the Ministry of Electronics and the Jiangsu Provincial Government pointed out: With the transfer of the seven enterprises to Nanjing, the original pay scales and grades of the workers and staff will remain unchanged. The relevant departments and the City of Nanjing should delegate the necessary decision-making powers to the enterprises, and the enterprises should do a good job in establishing lateral economic and technical ties with other departments, areas, and trades on the basis of the principle of voluntary participation and mutual benefit and in effecting coordination with specialized departments.

(Qian Ming), deputy director of the Office of Industrial Streamlining Program for Inland Provinces under the State Council; Liu Jianfeng, vice minister of electronics; Gu Xiulian, governor of Jiangsu; and Zhang Yaohua, mayor of Nanjing, attended the meeting and made speeches.

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CSO: 4006/1032

JILIN AUTO ENTERPRISES JOIN CHANGCHUN ASSOCIATION

SK180320 Changchun Jilin Provincial Service in Mandarin 0930 GMT 15 May 86

[Text] Four local auto industrial enterprises in our province joined the auto industrial association of the No 1 motor vehicle plant.

Today, the auditorium of the guest house under the Changchun No 1 Motor Vehicle Plant was permeated with a joyful atmosphere. The Jilin City Auto Industrial General Company, the Changchun City Dongfeng Motor Vehicle Manufacturing Plant, the Changchun City Motor Vehicle Engine Plant, and the Changchun City Motor Vehicle Gear Plant joined the auto industrial association, which takes the Changchun No 1 Motor Vehicle Plant as the main body, and in which the economic cooperative system is being implemented. The joint agreement-signing ceremony was held at 1400. Responsible persons of the four enterprises joining the auto industrial association of the Changchun No 1 Motor Vehicle Plant, the chief of the Changchun No 1 Motor Vehicle Plant, the manager of the Changchun Motor Vehicle Industrial Company, and the mayors of Changchun and Jilin cities signed the agreements.

In his speech, (Geng Zhaojie), chief of the Changchun No 1 Motor Vehicle Plant, pointed out: The practice of the four enterprises in Jilin and Changchun cities in joining the auto industrial association of the Changchun No 1 Motor Vehicle Plant has provided us a very successful example. We should sum up and promote experiences gained in this regard and further consolidate and develop joint businesses.

Governor Cao Dezhan gave a speech at the signing ceremony. He said:

[Begin recording] The auto industry is our province's first major support industry and the most important industry among other heavy industries. A failure in grasping the auto industry in the course of grasping the economy of Jilin Province means a failure in grasping the economy itself. The Changchun No 1 Motor Vehicle Plant is the country's key motor vehicle producing enterprise. Its development, whether rapid or slow, has a vital bearing on the country's key construction projects and exerts a great influence on our province's economic development. In order to develop motor vehicle production, the

Changchun No 1 Motor Vehicle Plant has done much to develop lateral economic cooperation. Our province has also done much to organize lateral cooperation and set up support facilities for the No 1 Motor Vehicle Plant, and has a fairly good foundation in this regard. In order to establish further cooperation and to develop the auto industry, we called, last year, for efforts to establish cooperation between the army and the people and among all the people throughout the province. However, such cooperation is just a loosely-organized cooperation or a form of joint ventures. At present, on the basis of the original foundation, we should unceasingly deepen the cooperative work and march towards a higher level of cooperation along with the development of the current situation. This new type of economic cooperation has a pioneering nature. The cooperation has the following characteristics:

1. This is a practical and close cooperation different from other kinds of general cooperation. It is neither a loosely-organized cooperation nor a jointly-financed and cooperative operation. It is a change of subordinate relationships among the four enterprises in Changchun and Jilin Cities. The production, supply, sales, personnel, financial and material resources as well as the plans and channels of the four enterprises will be transferred to the No 1 Motor Vehicle Plant and be under its unified leadership, planning, management and operation.

2. This cooperation is really an economic cooperation of mutual benefit. It differs from the general amalgamation of plants or the taking over of enterprises. The four enterprises joining the auto industrial association of the Changchun No 1 Motor Vehicle Plant will have a relatively independent nature and the status of being a legal person. They will implement the independent accounting system in management.

3. It is a realistic enterprise-like economic cooperation. Enterprises joining the association will change their subordinate relationships and will be under the leadership of large key enterprises such as the Changchun No 1 Motor Vehicle Plant. Breaking the barriers between departments and regions will be conducive to separating the functions of the government from those of enterprises and adhering to the correct orientation of reforms. Through this cooperation, we will greatly promote the province's lateral cooperation. Our general demands for this work are to unify thinking, to have a vigorous attitude, to accelerate the pace, to do steady and reliable work, and to yield actual results. [end recording]

(Wang Jiatong), acting mayor of Changchun City, Wu Cuangcai, mayor of Jilin City, and (Cai Shiting), deputy manager of the (?China Motor Vehicle Company) also gave speeches at the signing ceremony.

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CSO: 4006/1032

XINJIANG TO PUT MORE GOODS UNDER MARKET REGULATION

HK141530 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 12 May 86

[Roundup: "Develop Lateral Economic Ties, Enliven Goods Circulation"]

[Excerpts] Over the past few years, the state has reformed goods supply methods, reduced the types and proportions of goods distributed by the state in a unified way, and put more goods under market regulation. According to statistics, the types of goods distributed by the state in a unified way have reduced from 465 to 23. Of all the goods distributed to the region by the state in the past, 35 percent have now been put under market regulation. Therefore, catering to the market, developing lateral ties in goods circulation, and enlivening goods supply are very important new problems which goods supply departments at all levels now face.

Over the past two years, goods supply departments in the region have done a lot of work developing lateral ties and strengthened the role of market regulation in goods supply, achieving some results.

We must earnestly sum up and study the new situation and new problems in markets; further break the barriers between areas, departments, and trades; attract extensive commercial, foreign trade, goods supply units and production enterprises to take part in the purchase and sale activities of trading centers so that they can coordinate goods supply, jointly exploit natural resources; and reasonably readjust goods circulation.

In short, provided that we act upon objective economic laws, base ourselves upon the market, cater to society, and extensively develop lateral ties in circulating goods, we can definitely enliven goods circulation in the region and ensure the supply of goods needed in the various economic constructions in the region.

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CSO: 4006/1032

GANSU CPC, GOVERNMENT VIEW URBAN ECONOMIC REFORM

HK051352 Lanzhou GANSU RIBAO in Chinese 22 Apr 86 p 1

[Report: "Provincial CPC Committee and Government Put Forward Opinions on Arrangements for This Year's Urban Economic Structural Reform"--capitalized passages published in boldface]

[Text] Recently, the provincial CPC committee and provincial government put forward "opinions on arrangements for urban economic structural reform in 1986," urging various localities throughout the province to do well in "consolidating, digesting, supplementing, and improving" on the basis of reform over the past 2 years, to continue to grasp the key link of invigorating the enterprises, to place emphasis on enlivening large and medium-sized enterprises, to expand lateral economic ties, and to create conditions for further deepening reform to promote sustained, stable, and coordinated economic development of the whole province.

The opinions on arrangements put forward by the provincial CPC committee and provincial government cover the following six aspects:

1. WE SHOULD EXERT GREAT EFFORTS TO REINVIGORATE ENTERPRISES, LARGE AND MEDIUM-SIZED ENTERPRISES IN PARTICULAR. We should truly deepen comprehensive reform inside enterprises. Instead of depending upon external assistance and asking the higher authorities for power, our policy should be based on the efforts of enterprises. Enterprises should do well in their internal reform and in tapping their own potentials. Instead of carrying out unitary reform, they should shift their efforts to carry out comprehensive and systematic reform and enliven their various "cells." Instead of paying attention only to their short-term results and the immediate interests of workers and staff members, enterprises should pay more attention to their long-term interests and strengthen their staying power. Instead of locking their doors against the outside world, they should implement an open policy. Instead of imitating others, they should proceed from actual conditions and select their own breakthrough points for reform. 1) They should further improve responsibility system of factory directors (managers), and pursue an administrative and responsibility system covering targets during the term of service of factory directors (managers). 2) They should carry out administration by different levels and delegate power, and rationally define small accounting units. 3) They should improve internal distribution systems, further overcome the practice of "eating from the same big pot," and closely link responsibility, power, and interests. 4) Reform of enterprises should be closely integrated

with business management and technical reform. In the meantime, good external conditions and environment should be created in various aspects in order to reinvigorate enterprises.

2. WE SHOULD TAKE A BIG STEP IN EXPANDING LATERAL ECONOMIC TIES. We should fulfill or overfulfill the targets set in the 3-year plan of the province concerning the expansion of product manufacturing, further develop various transregional and transdepartmental production factors, and cooperation in various fields, and improve multichannel, multilayered, and multiform ties. We should follow a down-to-earth manner to help enterprises solve their practical problem of expanding lateral economic ties, and straighten out various relations. The province will continue to implement a policy of giving preferential treatment to, and supporting, enterprises that expand their lateral economic ties.

3. WE SHOULD OPEN UP VARIOUS KINDS OF MARKETS AND ENLIVEN CIRCULATION. We should continue to expand the consumer goods market and improve the market of agricultural goods in both urban and rural areas. In localities in which conditions exist, efforts should be exerted to gradually establish well the technology market, labor affairs market, transport market, building construction market, and housing market, with emphasis on the experiment in the reform of the market of means of production and capital market. We should also do well in commercial reform in towns and cities.

4. WE SHOULD CONTINUE TO IMPROVE THE PRICE SYSTEM AND DO WELL IN WAGE REFORM. With regard to price reform, we should adopt a prudent policy. Our emphasis should be placed on improving measures of reform, which have been adopted, so that various quarters will gradually conform with the new situation. Price reform of the means of production should be beneficial to stabilizing prices of goods required by key construction projects, and industrial consumer goods. Regarding the prices of industrial goods needed by people in their daily life, we should adopt the methods of reducing production costs and consumption, enhancing economic results, and promoting self-digestion [zi wo xiao hua 5261 2053 3194 0553] to overcome the factors of price increase. We should continue to carry out wage reform. To gradually straighten out wage relations, we should appropriately carry out experiments in comprehensive reform of our labor system, insurance system, labor protection system, and staff training system.

5. WE SHOULD ACTIVELY PROMOTE THE EXPERIMENTS IN SOME SELECTED CITIES IN CARRYING OUT COMPREHENSIVE REFORM TO GIVE PLAY TO VARIOUS FUNCTIONS OF CITIES, AND ADVANCE THE DEVELOPMENT OF PLANNED COMMODITY ECONOMY. According to our province's existing arrangements, we should actively promote the experiments in comprehensive reform in Lanzhou, Tianshui, Baiyin, and Wuwei, and take positive measures to make exploration aimed at preeminent reform. We should also provide experience in improving measures for reform.

6. WE SHOULD CONTINUE TO STREAMLINE ADMINISTRATION AND DELEGATE POWER, CHANGE THE FUNCTIONS OF GOVERNMENT DEPARTMENTS, AND IMPROVE MACROSCOPIC CONTROL. Economic administrative departments of the government should continue to streamline administration and delegate power; do well in reform in terms of guiding thinking, work style, organization, and system; and their functions should be gradually shifted to planning, coordination, supervision, and service. We should strengthen management of enterprises and exercise indirect control over them. In accordance with the principle of separating the function and responsibility of government from those of enterprises, we should continue to create conditions to transfer enterprises formerly owned by the government to the lower level to actively promote the establishment of the indirect management system. To make preparations for carrying out structural reform and streamlining administration in the future, the relevant departments should continue to do well in conducting investigations and studies.

In the opinions on arrangements, the provincial CPC committee and provincial government finally urge the departments concerned to strengthen leadership, vigorously promote coordination, cooperate with each other closely, and do their work in a down-to-earth manner to constantly promote the reform of the economic system.

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CSO: 4006/1032

SOUTHERN XINJIANG HOLDS FORUM ON GETTING RICH

HK150701 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 13 May 86

[Excerpts] Between 5 and 11 May, the three prefectures and autonomous prefecture in southern Xinjiang held a forum in Kashi on eradicating poverty and getting rich. The forum urged all cadres and masses of the three prefectures and autonomous prefecture to unite in striving for achieving the goal of eradicating poverty and getting rich.

Wang Enmao, vice chairman of the national CPPCC and chairman of the regional advisory committee; Song Hanliang, Tomur Dawamat, Janabil, and other leading comrades of the regional party, government, military, and the production-construction corps; responsible comrades at the prefectural, autonomous prefectural, county, and city levels of Kashi, Kizilsu, and Hotan prefectures and autonomous prefecture; as well as responsible comrades of the region's relevant departments, committees, offices, and bureaus, attended the forum.

Also present were leading comrades of the State Nationalities Affairs Commission and the Ministry of Water Resources and Electric Power, as well as leaders and experts of the scientific investigation team under the Chinese Academy of Science.

Focusing on the issue of helping southern Xinjiang promptly eradicate poverty and get rich, the forum held a comprehensive and lively discussion.

There is now wide gap between the living standards of the people living in the three prefectures and autonomous prefecture and the average level of the region's living standard.

The participating comrades held: Though southern Xinjiang faces problems in the areas of developing the economic and other undertakings, the area still has many favorable conditions. Provided that we make full use of them, we shall certainly achieve the goal of getting rich and invigorating the economy of southern Xinjiang.

On the base of seeking and heightening common understanding, the forum decided that we should do well in the following tasks in the course of casting away poverty and getting rich:

First, we must educate the cadres and masses on establishing the thinking of self-reliance and struggling hard. We must take it as the guiding ideology for the work of eradicating poverty and getting rich.

Second, we must give play to the advantages of various places, and readjust well the production structure.

Third, we must unremittingly tackle the work of farmland capital construction, which focuses on water conservancy, and constantly improve the production conditions as well as the environment for production.

Fourth, depending on the advancements of science and technology, we must take the road of economization. Poor areas must use science and technology to end the situation of reaping small harvests despite comprehensive cultivation, and having poor economic results. They should also abandon the method of raising livestock by simply depending on the weather.

Fifth, we must greatly develop town and township enterprises, which should be based on the industry of processing farming tools. In connection with this, we should also develop such service industries as packaging, storage, transport, and marketing. We should also develop tertiary industry.

At the closing session, Wang Enmao, Song Hanliang, Tomur Dawamat, Janabil, and other leading comrades made speeches. In their speeches they urged the cadres and masses of southern Xinjiang to be united, to enhance their revolutionary vigor, to struggle hard, and to strive to get rich during the Seventh 5-Year Plan period.

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CSO: 4006/1032

BRIEFS

HENAN ECONOMIC ISSUES--On 10 May, the provincial government summoned responsible comrades of prefectures and cities to discuss current economic work. Governor He Zhukang and vice governors Zhang Zhigang, Qin Kecai, Hu Tingji, Hu Tiyun, Liu Yujie, and Zhao Zhengfu attend. He Zhukang called on everyone to take an all-round and systematic view of the province's economic situation. Generally speaking this situation is very good, but there are also certain difficult problems, mainly in the following respects: 1) The state of industrial production is not good enough; 2) in rural work there are problems of ineffective information, failure of readjustment measures and comprehensive services to keep abreast of needs, and [words indistinct]. At present, while continuing to get a good grasp of rural work, we must grasp industrial production as an important task. All areas and departments must brace their spirits, persevere in reform, and get rid of slackness and fear of difficulties. We must get a good grasp of management and consolidate the fruits of reform. [Excerpts] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 13 May 86] /8309

CSO: 4006/1032

FINANCE AND BANKING

XIZANG REGIONAL TAXATION WORK CONFERENCE ENDS

HK141231 Lhasa Xizang Regional Service in Mandarin 1130 GMT 10 May 86

[Text] The regional taxation work conference concluded in Lhasa on 9 May. This conference was the largest of its kind since the peaceful liberation of Xizang. The main subjects of the conference were to implement the spirit of the enlarged meeting of the Standing Committee of the regional CPC committee, further correct people's guiding thought on taxation work, sum up the experiences in taxation work over the past few years, revise and formulate policies and regulations on taxation work, and arrange taxation work for 1986. Through the conference, taxation personnel in the region have deepened their understanding of the role and position of taxation work in the region's economic construction.

Puquin, vice chairman of the regional people's government, briefed the conference on the political and economic situation in the region and highly valued the region's taxation work over the past few years. He demanded that all taxation personnel further eliminate leftist influence, correctly understand and bring into full play the role of taxation work as an economic lever, and reasonably readjust the region's taxation policies, so as to meet the region's real situation and serve the purpose of peasants and herdsmen getting rid of poverty and becoming better off.

The vice chairman expressed the hope that governments at all levels will strengthen their leadership over taxation work and support the work done by taxation departments. The participants earnestly discussed Puquin's speech and raised valuable suggestions on concrete methods and policies for improving taxation work.

The conference commended advanced collectives and individuals in the region's taxation field. A proposal written by the advanced collectives and individuals to all comrades on the region's taxation front was read at the conference.

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FINANCE AND BANKING

BRIEFS

QINGHAI ENTERPRISES' CAPITAL NEEDS--The province's financial sector has worked hard to improve macroeconomic control and to make the best use of funds, and has solved the enterprises' normal and reasonable capital needs in a down-to-earth manner and in order of importance and urgency. Compared to the same period last year, industrial loans granted in the first quarter this year increased by 76.8 percent, thereby promoting industrial development. In the first quarter this year, the province's contradiction between demand and supply of capital was rather prominent. In order to meet the enterprises' normal and reasonable capital needs, various banks appropriately granted loans while strengthening macroeconomic control, thereby basically ensuring the funds for the enterprises' normal production and circulation. By the end of the first quarter, loans granted by banks increased by some 147 million yuan compared to the figure at the beginning of this year. This included an increase of 99 million yuan in industrial loans and construction enterprises' circulation fund loans compared to that at the beginning of this year. According to the statistics of the provincial industrial and commercial bank, for steel, cement and coal industrial enterprises alone, the bank increased the amount of loans by 75 million yuan for importing raw materials. [Text] [Xining Qinghai Provincial Service in Mandarin 2230 GMT 7 May 86] /8309

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CSO: 4006/1032

FOREIGN TRADE AND INVESTMENT

NORTHEAST CHINA EXPORTS POWER PLANT EQUIPMENT

OW291229 Beijing XINHUA Domestic Service in Chinese 0112 GMT 28 Apr 86

[Excerpts] Harbin, 28 Apr (XINHUA)--An electrical machinery economic and technical group from northeast China, which was formed through eliminating contradictions between higher and lower levels and between departments and regions, has consolidated the superiority of individual products of various enterprises into that of complete sets of equipment, forming China's first enterprise group for exporting large power plant equipment.

In 1983, 38 enterprises, most located in northeast China, freed themselves from restrictions imposed by different departments and regions to jointly set up the Harbin Complete Power Plant Equipment Company, a northeast China electrical machinery economic and technical group aimed at supplying complete sets of power plant equipment. The company contracts to supply equipment for thermal, hydroelectric, and nuclear power plants in China and in foreign countries, and then subcontracts production work to enterprises under it. By doing so, it is able to provide a package service to customers, which includes electrical engineering design; equipment manufacturing, supply, and installation; ground work for power plants; and other technical matters, thereby doing away with various malpractices which had long existed. Currently, the company can produce more than 90 percent of the power plant equipment it contracts to supply.

In 1983, the company was awarded a contract to supply (Kudu) Power Station in Pakistan with 210,000-kilowatt power plant equipment, enabling China to export large power plant equipment for the first time. The power station was put into operation ahead of schedule in early February, winning a good reputation for China's power plant equipment on the international market. Currently, the company is bidding for projects at the (Jamushiaoro) Power Station in Pakistan, the (Katlan) Power Station in Turkey, and power stations in Bangladesh and Iraq, striving to expand the international market for China's power equipment.

The company also organized enterprises under it to actively expand their capability to produce nuclear power plant equipment. After undergoing a short-term technical renovation, the company will be able to produce nuclear power plant equipment amounting to 1 million kilowatts annually.

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CSO: 4006/996

FOREIGN TRADE AND INVESTMENT

YUNNAN INCREASES FOREIGN EXCHANGE EARNINGS

HK021344 Kunming YUNNAN RIBAO in Chinese 19 Apr 86 p 1

[Report by Lu Jianhua [7120 1696 5478]: "Our Province's Foreign Exchange Earnings From Exports Last Year Exceeded $120 Million"]

[Text] According to reports from the provincial Economic and Trade Department, the foreign trade departments in our province have, through energetically carrying out reforms, basically put an end to the situation in the past few years in which the foreign exchange earned from exports fluctuated around $100 million. Last year, the foreign exchange earned from exports was $129 million, which was 140.8 percent of the state plan for our province and 15.8 percent over the previous year.

According to reports, of the nearly 300 kinds of export commodities of the province, 24 earned over $1 million each. They included buckwheat, beans, bamboo shoots in salt water, cotton yarn, textiles, garments, black tea, puer tea, walnut kernels, dried peppers, geranium oil, rosin, cured tobacco, pseudoginseng, bark of fagus longipetiolata, work gloves, tin, antimony, machine tools, yellow phosphorus, calcium, magnesium, and phosphorus fertilizers, and so on. Foreign exchange earned by exported tobacco (including cured tobacco and cigarettes), tin (including refined tin and soldering tin), and tea (including black tea and puer tea) was $72.02 million, accounting for 56 percent of the total foreign exchange earned by the province from exports.

There are three main reasons why the foreign trade departments in our province could attain such relatively great achievements last year:

--The foreign trade departments energetically carried out reforms, completely removed the restrictions of the circulation structure in procuring export commodities that had only "one plan, one channel, and one price." They directly participated in market regulation. Last year, in accordance with actual situations and through making calculations, the provincial tea import and export company fixed competitive prices, correctly made use of economic levers, and participated in market regulation. In March last year, in view of the price rise of raw materials for tea factories, the company raised the average producer price of export tea by 7.13 percent on the basis of the contract price. Last year, this company exported more than 5,500 tons of tea, reaching an all time high. The sum of commodities directly procured from the market for export by foreign trade departments of prefectures and counties throughout the province accounted for about 40 percent of the total procurement value.

--Foreign trade enterprises universally implemented the economic responsibility system and the post responsibility system, thus putting an end to the practice of "eating out of the same big pot" in enterprises and among the workers and other employees, and arousing the enthusiasm of workers and other employees. The Qujing prefectural company and most county (city) companies established one after another the contracted economic responsibilities system last year and their annual procurement value reached over 21 million yuan, an increase by a big margin over that of the previous year.

--Foreign trade departments at all levels paid attention to building export commodity bases and special factories (mines) in their vigorous efforts to boost export commodity production. Some of them energetically provided information, helped develop new products, made great efforts to promote sales of products of enterprises, and peasants and others provided financial, material, and technological support.

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CSO: 4006/996

XIAMEN JOINT VENTURES LACK SUFFICIENT INVESTMENT

HK050809 Beijing ZHONGGUO XINWEN SHE in Chinese 0222 GMT 3 May 86

[Report by reporter Zhuang Nuo [8369 6169]: "Some Xiamen Joint Venture Enterprises Lack Sufficient Investment"]

[Text] Xiamen, 3 May (ZHONGGUO XINWEN SHE)--In some of the Chinese and foreign joint venture enterprises in the Xiamen Special Zone, the capital actually paid is much less than that registered; this has already roused the attention of the relevant departments.

According to a recent survey of 94 Chinese and foreign joint venture enterprises by the Xiamen City Auditing Administration, the registered capital of these enterprises totals 1,015 million yuan, but their actually paid capital is only 445 odd million yuan. Both the Chinese and foreign parties to the joint ventures have only paid on average of 44 percent of the capital that they have undertaken to pay. The enterprises of joint investment under the investigation include those engaged in industry, commerce, real estate, construction and decoration, tourism, transport, animal breeding, and service trade. The lack of paid capital has to some extent affected the turnover of funds in these enterprises.

The survey has also discovered that the 130 enterprises of Chinese-foreign joint and cooperative venture, only 19 have had their capital audited, while 111, or 85 percent, of the enterprises have not had their capital audited. Without the auditing of capital by certified Chinese accountants, we will not be able to effectively supervise the various parties concerned and urge them to pay the capital in a timely manner.

The Xiamen Auditing Administration has also found through the survey that 82 Chinese-foreign joint venture enterprises have violated the regulations concerning the accounting system of Chinese-foreign joint ventures. Their accounting statements for last year show that they failed to assign accounting firms to audit their accounts before they distributed their profits. The relevant department pointed out that these problems that had not cropped up in our Chinese-foreign joint ventures are detrimental to the development of these joint ventures.

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CSO: 4006/996

SPECIAL ECONOMIC ZONES

SHENZHEN FEDERATION OF INDUSTRY, COMMERCE SET UP

HK290801 Beijing ZHONGGUO XINWEN SHE in Chinese 1448 GMT 28 Apr 86

["Li Hao Says the Shenzhen Federation of Industry and Commerce Will Become a Link Between the Mainland and Traveling Businessmen"--ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen, 28 Apr (ZHONGGUO XINWEN SHE)--At the inauguration ceremony of the Shenzhen Federation of Industry and Commerce today, Shenzhen Mayor Li Hao said that the Shenzhen Federation of Industry and Commerce will become an influential mass organization in Shenzhen and a link between the mainland and compatriots residing abroad, as well as industrialists and businessmen in Hong Kong, Macao, and Taiwan.

Of all the federations of industry and commerce in various parts of China, the Shenzhen Federation of Industry and Commerce has the largest number of investors. Eighty-three of its 120-odd members are Hong Kong businessmen or overseas Chinese investors; 3 of its 6 vice presidents are Hong Kong businessmen. Henry Fok, president of the Hong Kong General Chamber of Commerce, and over 100 Hong Kong businessmen attended the inauguration meeting of the Shenzhen Federation of Industry and Commerce.

Li Hao said: It is hoped that after its founding the Shenzhen Federation of Industry and Commerce will extensively contact friends in the industrial and commercial circles in Hong Kong, Macao, and Taiwan and among overseas Chinese, as well as foreign industrialists and businessmen, understand and reflect their views, help the relevant authorities develop cooperation with them, run enterprises well, and gradually carry out consultant services, such as training personnel for industrial and commercial enterprises and providing industrial and commercial information.

Shao Junyan, president of the Shenzhen Federation of Industry and Commerce, said that in the future the federation will recruit a large number of industrialists and businessmen from Hong Kong, Macao, and Taiwan and among overseas Chinese who invest in Shenzhen, as well as Shenzhen industrialists and businessmen now residing in Hong Kong, Macao, and Taiwan.

It is reported that there are now more than 3,000 enterprises wholly financed by businessmen from outside the country and Chinese-foreign joint ventures and cooperative enterprises.

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CSO: 4006/996

HEILONGJIANG MODEL WORKERS MEETING HELD

SK300927 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 29 Apr 86

[Report on opening of the provincial model workers representative meeting held in Harbin on 29 April--with portions recorded]

[Excerpts] This afternoon, the Sixth Heilongjiang Provincial model workers representative meeting was ceremoniously held in Harbin City. This afternoon, the Harbin Worker's Cultural Palace was colorfully decorated for the festival. Several hundreds of youths and children, holding flowers and colored streamers in their hands, sang and danced to welcome the model workers representatives who came to attend the meeting. Greeting the model workers representatives outside the meeting hall were leaders of the provincial CPC committee, the provincial People's Congress, the provincial government, and the provincial CPPCC committee, including Chen Yunlin, Zhang Xiangling, Lu Guang, Liu Zhongli, and Bao Zong. They warmly shook hands with the model workers representatives. With the approval of the provincial government, 1,194 people were named model workers of the province, 52 units advanced enterprises, and 196 units advanced collectives. The last provincial model workers representative meeting was held in May 1980.

The meeting was formally opened at 1500. Hou Jie, deputy secretary of the provincial CPC committee and governor, presided over the meeting.

After listening to a congratulatory message given by the young pioneers, Wang Jun, vice chairman of the provincial People's Congress Standing Committee, announced the decision of the provincial People's Congress Standing Committee on naming the provincial special-grade model workers. Du Xianzhong, secretary general of the provincial government, announced the decision of the provincial government on naming the provincial model workers, and the provincial advanced enterprises and collectives. Chen Youyi, director of the provincial Trade Union Council, announced the namelist of winners of the province's 1 May labor medals on behalf of the All-China Federation of Trade Unions. Sun Weiben, secretary of the provincial CPC Committee, said: [Begin Sun Weiben recording]

All representatives: You are the meritorious workers in the four modernizations from all fronts throughout the province, as well as the examples for emulation by the broad masses of people. First of all, let me extend high respects to you and warm regards to the broad masses of workers on all fronts and the working people throughout the province on behalf of the Heilongjiang Provincial CPC Committee and the Heilongjiang Municipal People's Government. [end recording]

In his speech, Sun Weiben reviewed the province's political and economic situations and highly praised the model workers for their outstanding contributions to the two civilizations. Sun Weiben said: The recent Fourth Session of the Sixth NPC discussed and adopted our country's Seventh 5-Year Plan. Comprehensively fulfilling the Seventh 5-Year Plan is a heavy task entrusted to us by the era. Sun Weiben called on the broad masses of workers to contribute to realizing the Seventh 5-Year Plan. He said:

[Begin recording] The provincial CPC Committee and government hope that all model workers and advanced collectives will unite as one, and lead the broad masses of workers and staff members from all fronts in actively responding to the call of the party, the state and the province, and will actively go into action to extensively carry out the socialist labor emulation drive and to offer plans and exert efforts to fulfill the Seventh 5-Year Plan and to make contributions.

First, it is necessary to deeply study and implement the guidelines of the Fourth Session of the Sixth NPC. Leaders at all levels and model workers should lead the broad masses of workers and staff in conscientiously studying and deeply understanding the essence of the document guidelines, and should enhance understanding, reinforce confidence, boost fighting will, and clearly define the tasks. Furthermore, leaders and model workers should also integrate the development and construction plans of their own units and localities with their own work in an effort to fulfill or overfulfill their production tasks. Through enhancing their initiative in reform and construction, they should strive to eliminate blind actions, and to create a new situation in fulfilling the Seventh 5-Year Plan.

Second, it is necessary to care for and support reforms, and stand in the vanguard of reform. All our achievements scored in the Sixth 5-Year Plan period fundamentally came from reforms. The key to fulfilling the Seventh 5-Year Plan still lies in reform. Only by persisting in reform can we install vigor and vitality into our socialist construction cause and accelerate the development of the socialist productive forces. We should deepen our understanding of reform, reinforce our confidence in reform, display the spirit of daring to explore and to blaze new trails, and do a good job in the reforms of our own departments, units, and fronts, thus promoting the deep and healthy development in reform.

Third, it is necessary to vigorously contribute to vitalizing enterprises and raising economic results. In his Seventh 5-Year Plan Premier Zhao emphatically pointed out that under the new situation in which we are comprehensively carrying out reforms, all enterprises should enhance their sense of quality and economic results,their sense of catering to market and social needs, and the sense of contributing to making the country prosperous and strong and the people happy; continue to improve operation and management; and raise economic results. Otherwise, they will be eliminated by the trends. We should deeply understand this problem, and realistically and organically integrate the destiny of enterprises with our immediate interests in the production process, and manage enterprises and our own work with an attitude of being masters of the state. All fronts throughout the province should proceed from the reality; carry out all forms of the socialist labor emulation drive; fully display the key and vanguard role of model workers and advanced personages; foster the advanced, learn from, and catch up with the advanced; create more advanced units and foster more model workers and advanced personages in the province; and lead the broad masses of people in making great contributions to the two civilizations.

Fourth, it is necessary to study politics, culture, [word indistinct] and to improve our skills in serving the four modernizations. Our model workers should rally around the broad masses of workers and staff members; fully use all opportunities to study politics, culture, and technology; enhance their political, cultural, and professional expertise; and unceasingly improve their skills in serving the four modernizations and the people.

Fifth, it is necessary to consciously observe law and discipline, and resolutely resist and oppose all unhealthy trends. Our broad masses of workers and staff members should keep the true qualities of the laboring people. First, they should consciously observe the party and state policies, decrees, as well as the regulations and systems of their departments and enterprises, and be models in observing discipline and law. By no means should they follow the tide. Second, they should actively expose and report all kinds of criminal activities to the authorities, and resolutely struggle against them. In the course of checking unhealthy trends, we should also pay attention to drawing clear lines of demarcation in applying a policy in order to accurately and effectively check unhealthy trends and to ensure the smooth progress in reform and construction.

Comrades, the provincial CPC Committee and government are firmly convinced that the model workers and advanced collectives will take root, blossom, and bear fruit in every corner of Heilongjiang like seeds. Let us promote the spirit of the foolish old man who removed the mountain under the leadership of the party, unite as one, work with one heart and one soul, and exert efforts to realize the Seventh 5-Year Plan. [end recording]

After Sun Weiben's speech, the meeting participants unanimously adopted a letter of proposal for all workers throughout the province.

Attending today's meeting and sitting on the rostrum were responsible comrades of the provincial and Harbin City party, government, and army organs as well as of mass organizations, including Sun Weiben, Chen Lei, Hou Jie, Li Genshen, Chen Yunlin, Liu Chengguo, Zhou [name indistinct], Wang Yusheng, Wang Ochen, Zhu Dianming, Bai Jingfu, Huang Feng, Zhang Xiangling, Zhang Lin, Chen Yuanzhi, Lu Guang, Wei Zhimin, Wang Jinling, Wang Pili, Wang Zhaozhi, Wang Jun, Zhao Zhenhua, Zhang Ruoxian, Liu Zhongli, Jing Bowen, Li Rui, Bao Zong, Yang Zirong, Tang Liandi, Wang Weizhi, Guo Shouchang, Li Min, Huang Dexin, Fu Shiying, Hong Jing, Ma Xinquan, Xie Yong, Sha Zhao, Du Xianzhong, Zhang Li, Chen Youyi, (Shi Qing), and Hou Xuyu.

/8309
CSO: 4006/1032

BRIEFS

BRAZIL WORKERS' DELEGATION--Yesterday evening, at the Cadres' Club, Ni Zhifu, director of the All-China Federation of Trade Unions and secretary of the Tianjin Municipal CPC Committee, received the delegation of the Brazil Federation of Industrial Workers, headed by its director Hesai Kalisiduo, and held a cordial discussion with them. After the reception, responsible persons of the Tianjin Municipal Trade Union Council hosted a banquet in honor of Hesai Kalisiduo and his entourage. The delegation of the Brazil Federation of Industrial Workers arrived in Tianjin on 21 April for a visit at the invitation of the All-China Federation of Trade Unions. The delegation visited Xingang Harbor, the International Seamen's Club, and the No 6 Cotton Textile Mill. Where the delegation went, it was warmly welcomed by the people. Responsible comrades of the Tianjin Municipal Trade Union Council briefed the delegation on the role played by the municipal Trade Union Council in reforming the economic structure. [Text] [Tianjin TIANJIN RIBAO in Chinese 23 Apr 86 p 3] /8309

SHANGHAI LEADERS ATTEND WORKERS MEETING--The cheers of jubilant crowds mingled with music filled the Culture Square in Shanghai on the afternoon of 12 May. A meeting of Shanghai model workers for 1985 was ceremoniously held here. Leading comrades of the Shanghai Municipal CPC Committee, the Municipal Advisory Commission, the municipal Discipline Inspection Commission, the Standing Committee of the Municipal People's Congress, the Municipal Government and the Municipal CPPCC Committee, including Rui Xingwen, Jiang Zemin, Chen Guodong, Hu Lijiao, Wang Daohan, Huang Ju, Zhang Dinghong, and (Liang Shihua), attended the meeting. Vice mayor Ni Tianzeng presided over the meeting. On behalf of the Shanghai Municipal CPC Committee and Government, Comrade Jiang Zemin extended warm greetings to the model workers. [Excerpts] [Shanghai City Service in Mandarin 0000 GMT 13 May 86] /8309

CSO: 4006/1032

BRIEFS

LIUZHOU RAILROAD BUREAU SUCCESSES--At a press briefing this morning, Chen Kejie, director of the Liuzhou Railroad Bureau, said that the bureau scored notable success during the Sixth 5-Year Plan and fulfilled its target 1 year ahead of schedule. In 1985, the bureau increased its transport revenue by 25 percent compared with 1984, while profit rose by 19 percent, profit and tax delivery to the state increased by 16 percent, and transport labor productivity rose by 13 percent. The bureau outperformed all other railroad bureaus in the country in these four aspects. The bureau also ranked second in the whole country in passenger and freight turnround and in accident-free days. During the Seventh 5-Year Plan, the railroad bureau will increase transport capacity, carry more freight, and run more passenger trains through launching overall contract activities. It will ensure that railroad transport will provide better service for invigorating Guangxi's economy. [Excerpts] [Nanning Guangxi Regional Service in Mandarin 1000 GMT 17 May 86] /8309

CSO: 4006/1032

ECONOMIC CONFERENCE WITH SAUDI ARABIA BEGINS

OW011049 Taipei CNA in English 0942 GMT 1 May 86

[Text] Taipei, 1 May (CNA)--The Ninth ROC [Republic of China] -- Saudi Arabia economic and technical cooperation conference opened in Taipei Thursday morning with the Saudi side calling for greater ROC participation in the kingdom's fourth 5-year development plan.

The meeting was jointly presided by Economics Minister Lee Ta-hai and Shaykh Muhammad Aba al-Khayl, Saudi minister of finance and national economy.

The conference is divided into five panels: technical cooperation, science-technology, finance, industry and trade.

Speaking at the opening ceremony, the Saudi minister said the present meeting marks more than a decade of "fruitful cooperation" between the two nations and underlines their "ongoing commitment to a strengthening of the traditional ties of friendship."

The shaykh recalled that Saudi Arabia had just completed its first 5-year plan when the initial agreement for economic and technical cooperation was signed 10 years ago.

"Today, in 1986, we are almost into the second year of our fourth 5-year plan, and can boast an economy which is fully equipped with a sound basic infrastructure, effective financial and administrative institutions and some very sophisticated export-oriented industries," he said.

In the fourth development plan, the Saudi minister said, the country is especially concerned with technology transfer and economic diversification.

"To this end," he added, "joint ventures have been designated as the main vehicle within the private sector for investment and industrial diversification."

The Saudi dignitary reminded his audience that his country remains one of the world's largest markets even with weaker oil prices.

While stressing governmental cooperation, he said Saudi Arabia also hoped to arouse Chinese interest in private sector joint ventures in the country that can help its middle-sized businessmen play a more effective role in the country's overall economy.

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CSO: 4020/312

ECONOMIC GROWTH REPORTED UP IN FIRST QUARTER

OW300459 Taipei CNA in English 0315 GMT 30 Apr 86

[Text] Taipei, 30 April (CNA) -- With buoyant foreign trade, high industrial production, strong investment willingness, and in-pouring orders, the ROC's [Republic of China's] economic growth rate for the first quarter of this year reached 6.98 percent, and a further upward swing is expected, according to the Ministry of Economic Affairs [MOEA].

Meanwhile, owing to the appreciation of European currencies and the Japanese yen against the U.S. dollar, to which the NT [New Taiwan] dollar is pegged, Taiwan-made products have gained a stronger competitive edge in foreign trade. As a result, the equipment utilization rates for local manufacturing sectors have risen to 77.6 percent in March while the inventory for finished products has dropped to a moderate 62.5 percent.

Other economic indexes reveal that the ROC's economic performance in the first quarter include:

-- Import and export sales in the period totalled U.S. dollars 13.7 billion, up 13.9 percent over the same period a year earlier. Exports were U.S. dollars 8.38 billion, up 18.3 percent, and imports were U.S. dollars 5.33 billion, up 7.5 percent.

-- The gross national product (GNP) for the first quarter was NT dollars 620.6 billion, up 7.4 percent over the figure for the first quarter of 1985. The per capita GNP was U.S. dollars 825, 5.9 percent higher than the same period last year.

-- The output of industrial products advanced 7.6 percent, while the labor productivity of the manufacturing sector increased some 6.8 percent over 1985's first quarter record.

-- The gross fixed capital formation was 5.32 percent higher than the record a year earlier, among which machinery equipment investments increased 17.49 percent, investments in transportation equipment decreased 17 percent, and construction industry investments grew 2.5 percent. Investments by government agencies during the period increased 13.5 percent while investments by public-owned enterprises grew 13.2 percent.

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CSO: 4020/312

COMMENTARY: AUTOMOBILE INDUSTRY NO THREAT TO U.S.

OW052317 Taipei International Service in English 0200 GMT 4 May 86

[Station Commentary]

[Text] Vincent Siew, the Republic of China's top trade official, said yesterday that the export ratio requirement the ROC Government has set on foreign-invested car plants in Taiwan will have no adverse effect on the American auto industry and should not be viewed as an unfair trade practice. He was commenting on reported U.S. concern that the export ratio requirement set for the joint-venture between Japan's Toyota Motor Company and the Kuo Chi Motor Company in Taiwan will adversely affect the American car makers.

Siew, who has a task force set up to deal with the question, said: The Kuo Chi-Toyota Agreement is not in violation of the General Agreement on Tariffs and Trade. He pointed out that the export ratio requirement will actually be beneficial to American interests in Taiwan. If the ROC Government did not insist that a certain percentage of Toyota's production in Taiwan be exported, the American-invested Ford-Liuho Company would probably be the first to suffer from raging competition from Toyota. Furthermore, the export ratio requirement in the Toyota-Kuo Chi joint venture can hardly be directed against the U.S. The reason is very simple. Toyota has already set up a large car plant in the U.S. It has no reason to export Taiwan products to U.S. markets to compete with its own cars made there.

Besides, there are arguments in favor of the Republic of China. The export ratio requirement should not be considered a violation of free trade principles because many developed countries, as well as developing nations, have similar requirements on joint venture companies. Even the U.S. itself has imposed a similar requirement on its semiconductor industry. If Washington insists on investigating the ROC's auto development project, the U.S. would also face similar requests from European nations in the future. That is not all. The ROC Government began discussing the export ratio requirement with Toyota long before the American Government worked out its new trade and tariff bill. Therefore, it is rather unfair for the U.S. to impose its recently passed domestic laws to force Free China to change the contents of its trade agreement with other countries. The export ratio requirement is only one of the irritants in the trade relations between the two countries. At the bottom of the issue, it is the huge trade surplus the ROC enjoys. The reasons for the development are complicated, as ROC spokesman Chang King-yuh pointed out in a recent speech in Houston. Nor is it as serious as the trade figure suggests. The important thing is that the strong economic relations between the Republic of China and the United States are mutually beneficial. Otherwise, they could not have developed so fast. With the ROC Government taking every step to redress the lopsided trade situation, a more equitable solution to the problem will not be difficult to find.

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China Report

ECONOMIC AFFAIRS

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ECONOMIC DEVELOPMENT ZONES

SHANGHAI ECONOMIC ZONE MEETING HELD IN JIANGXI

OW222032 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 20 May 86

[Text] According to our reporters Shi Shihai and Xue Renxin, the fifth theoretical symposium on the development of the Shanghai Economic Zone opened today in Shanghai City. Attending the symposium are Wang Lin, director of the Shanghai Economic Zone Planning Office of the State Council; Zhou Guangchun and Bai Yang, deputy directors of this office; Ni Xiance, deputy secretary of the provincial CPC committee and governor of the province; and Zhao Zengyi, chairman of the provincial advisory commission. Others attending are leading comrades from the relevant ministries and commissions of the State Council, the Shanghai Economic Zone Planning Office, and other provinces and municipalities, as well as experts and scholars, numbering more than 200 in total.

The main purpose of this symposium is to discuss in depth the strategic outline for the development of the Shanghai Economic Zone by integrating theory with practice and to probe the question of how to put the development of this zone in high gear with a view to bringing about the common prosperity of Shanghai Municipality and the four provinces involved.

Qin Benli, president of the Shanghai Economic Zone Research Society, delivered an opening address.

Comrade Ni Xiance also made a speech at the symposium. On behalf of the Jiangxi Provincial CPC Committee and People's Government, he extended a warm welcome to the comrades who had come for the symposium. Then, he said: Over the past 1 year or so since Jiangxi was included in the Shanghai Economic Zone, we have learned a lot of successful experiences and received guidance and assistance from Shanghai Municipality and the other provinces in this zone. Because of abundant resources, our province has a very great potential for development. During the Seventh 5-Year Plan, we will make active efforts to exploit our province's abundant resources according to the general strategy of making use of the favorable condition of rich resources to invigorate Jiangxi's economy. We must act more boldly and daringly to utilize more foreign capital and even dare to run into debt in order to proceed with construction. At the same time, we must go all out to develop economic and technological cooperation with others in the Shanghai Economic

Zone and with other provinces and municipalities. We must also acquire capital and technical personnel from other provinces and learn from their managerial experience so as to exploit the abundant resources and transform the enterprises so as to exploit the abundant resources and transform the enterprises in our province with a view toward common economic prosperity of our and other provinces.

Concluding his speech, Ni Xiance said: Jiangxi is prepared to adopt more preferential measures to solicit others in the Shanghai Economic Zone, departments of the State Council, other provinces and municipalities, and people from all circles to engage in development undertakings in our province so as to speed up the pace of our common progress.

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ECONOMIC PLANNING

YUNNAN'S 1985 ECONOMIC, SOCIAL DEVELOPMENT STATISTICS

HK280726 Kunming YUNNAN RIBAO in Chinese 5 Apr 86 p 2

["Communique on Yunnan's 1985 National Economic and Social Development Statistics Issued by the Yunnan Provincial Statistical Bureau"]

[Text] In 1985, under the leadership of the provincial CPC Committee and provincial government, the people of all nationalities in Yunnan earnestly implemented the policy if invigorating the domestic economy and opening up to the outside world, developed the reform of the economic structure in depth, and promoted Yunnan's economic and social development. The total product of society came to 28,757,000,000 yuan, a 12.6 percent increase over 1984. (The total product of society is the sum of the total output value of agriculture, industry, the building trade, transportation, posts and telecommunications, and commerce, including the supply and marketing of materials and equipment and the catering trade. National income is the sum of the net output value of the above five material producing departments. All figures for the total product of society, the total industrial and agricultural output value, national income, and gross national product cited in this communique are calculated in terms of 1985 prices, and the percentage increase over the previous year is calculated in terms of comparable prices.) Of this sum, the total industrial and agricultural output value reached 22,514,000,000 yuan, an increase of 11.8 percent over 1984 and exceeding the planned target of 7.2 percent growth. National income totaled 14,277,000,000 yuan, a 10.5 percent increase over 1984. The major national economic targets prescribed by the Sixth 5-Year Plan were fulfilled or overfulfilled. Along with the sustained growth of production, the market was brisk, revenue rose remarkably, and urban and rural residents' income increased. According to preliminary estimates, Yunnan's gross domestic product for 1985 was 15.69 billion yuan, or 11 percent more than in 1984. (Gross domestic product refers to the value of products and labor services used by society and supplied by material production departments and non-material production departments, not including the value of products and labor services consumed by intermediate units.) The major problems in Yunnan's national economic development are excessive investment in fixed assets, social purchasing power outstripping the supply of commodities, and substantial price hikes of some goods, particularly fresh vegetables, fruit, meat, poultry, eggs, books, newspapers, and magazines.

I. Agriculture

In 1985, Yunnan's rural areas took a major step toward reforming the system of fixed state purchases of farm produce and readjusting the production setup, both of which sparked continued and comprehensive rural economic development. The total product of society in the rural areas was 11,628,000,000 yuan, a 12.6 percent increase over 1984. (Total rural product of society includes the gross output value of agriculture, the gross output value of town and township industry and individually run rural industries, and the gross output value registered by collective and individually run building industry, transportation, posts and telecommunications, and commerce.) Of this sum, the proportion of the output value of industry, the building trade, commerce, and transportation rose from 20.7 percent in 1984 to 23.6 percent.

The total output value of agriculture was 9,656,000,000 yuan (including that from rural industries), up 8.2 percent from 1984 and exceeding the planned target of 6 percent growth. Of this, the proportion of forestry, animal husbandry, fishery, and sideline production rose from 44.2 percent in 1984 to 47.7 percent. After deducting the output value of rural industries from this sum, the total output value of agriculture is 8,883,000,000 yuan, a 6.4 percent increase over 1984.

The crop cultivation structure underwent major readjustment. As a result of frequent natural disasters, the total output of grain was 9.35 million tons (18.7 billion jin), 700,000 tons (1.4 billion jin) less than in 1984. Except for oil-bearing crops, whose output decreased because of a reduction in cultivated areas, the output of all other major cash crops registered a fairly big increase. The output of major farm products was as follows:

	1985	Percentage Increase Over 1984
Grain	9,350,000 tons (1.87 billion jin)	- 7.0
Oil-bearing crops	118,100 tons	- 4.5
of which, rapeseed	71,700 tons	-14.3
Sugarcane	4,797,700 tons (95,954,400 dan)	27.0
Cured tobacco	410,000 tons (8,200,000 dan)	49.1
Tea	31,100 tons (621,500 dan)	10.3
Silkworm cocoons	1,800 tons	2.9

The further implementation of the forestry policies aroused the enthusiasm of the masses for afforestation. The whole province afforested an area of 60.57 hectares (9,086,000 mu), an increase of 9.6 percent over 1984. The output of major forest products increased somewhat. The output of rubber increased 4.1 percent; raw lacquer, 10.8 percent; walnuts, 8.6 percent; and chestnuts, 19 percent. But the output of tung-oil and tea-oil seeds decreased slightly.

Further progress was made in animal husbandry. The output of pork, beef, mutton, and milk increased rapidly. The number of large animals and pigs on hand at year-end continued to increase, but the number of sheep on hand dropped slightly. The output of major animal by-products and number of livestock were as follows:

	1985	Percentage Increase Over 1984
Output of pork, beef, and mutton	568,300 tons	10.2
of which, pork	544,000 tons	9.0
Milk	42,200 tons	13.7
Large animals at year-end	8,741,300 head	5.9
Pigs at year-end	17,033,000 head	0.1
Sheep and goats at year-end	7,239,400 head	- 2.6

Fish production grew considerably. The output of aquatic products was 26,500 tons, a 22.7 percent increase over 1984.

Farm machinery and electricity consumption in the rural areas increased, with the exception fo large and medium tractors and irrigation and drainage equipment, which decreased. The aggregate power of the province's farm machines reached 5,972,400 horsepower, a 7.9 percent increase over 1984. The number of large and medium tractors was 17,700, a decrease of 3.8 percent from 1984; small capacity and walking tractors, 73,800, an increase of 20.8 percent; trucks, 10,500, up 40 percent; irrigation and drainage machines, 41,800, down 9.9 percent; chemical fertilizers applied, 1,558,600 tons, up 5.9 percent; and consumption of electricity in rural areas, 754 million kilowatt hours, up 12.5 percent. The area under effective irrigation was 14,474,300 mu, an increase of more than 50,000 mu over 1984.

The province's meteorological departments improved their weather forecasting and made timely and accurate forecasts in some areas threatened by natural disasters, thus reducing losses to agriculture caused by calamities.

II. Industry

In 1985, the reforms of the industrial system progressed steadily, the vigor of enterprises was further enhanced, light and heavy industry developed in a coordinated manner, energy production basically met the needs of national economic development, output of marketable products increased remarkably, and overall economic results improved. The total industrial output value for 1985 was 12,858,000,000 yuan, an increase of 14.6 percent over 1984, exceeding the planned growth target of 8.2 percent. When added to the output value of rural industry, the total figure is 13,626,000,000 yuan, a 15.5 percent rise over 1984. Of the total, the output value of state-owned industry increased 13.1 percent over 1984, collective-owned industry grew by 20.9 percent, individually-run industry in cities and towns went up by 21.8 percent, and industry of other kinds of ownership rose 130 percent. The total industrial output value of 8 autonomous prefectures and 19 autonomous counties increased by 17.4 percent over 1984. The output of 42 of the 60 major industrial products met or topped provincial plans. They included steel, 10 kinds of nonferrous metals, coal, generated energy, caustic soda, chemical fertilizer, tires, cement, power generating equipment, walking tractors, television sets, bicycles, chemical fibers, woollen piece goods, machine-made paper and paperboard, cigarettes, bulbs, detergents, household washing machines, and beer. The output of 18 industrial products failed to meet the 1985 planned quotas. They included phosphate rock, phosphate fertilizer, insecticides, and sewing machines. The production of these goods was curtailed as a result of supply outstripping demand.

The total output value of light industry in 1985 was 6,223,000,000 yuan, a 16.2 percent increase over 1984. The designs and varieties of light industrial products expanded and the output of high and medium grade products increased considerably. Some products that had been in short supply, however, still failed to keep up with demand. The output of major light industrial products was as follows:

	1985		Percentage Increase Over 1984
Cotton yarn	35,712	tons	9.9
Cloth	151.52	million meters	5.6
Woolen piece goods	271,300	meters	29.1
machine-made paper and paper board	101,645	tons	31.7
Sugar	328,300	tons	6.7
Cigarettes	2,062,500	cartons	17.8
Fine tea	22,036	tons	6.9
Chemical Pharmaceuticals	142	tons	2.3
Detergents	19,198	tons	36.0
Bicycles	250,100	tons	91.4

Sewing machines	7,404	500.0
Wristwatches	72,400	11.7
Televisions	111,408	79.0
of which, color sets	31,155	2,950.0
Cassette recorders	30,525	35.8
Household washing machines	45,369	61.1
Household refrigerators	17,000	750.0

The 1985 heavy industrial output value was 6,635,000,000 yuan, up 13.1 percent from 1984. Primary energy output was equivalent to 11,638,600 tons, an increase of 8.1 percent over the previous year. The output of major heavy industrial products was as follows:

	1985		Percentage Increase Over 1984
Coal	16,380,000	tons	6.6
Electricity	7,545,000,000	kilowatt-hours	7.4
of which, hydro-electricity	4,523,000,000	kilowatt-hours	14.8
Steel	561,600	tons	5.2
Rolled steel	483,900	tons	- 4.0
10 kinds of nonferrous metals	149,753	tons	9.6
Timber	3,315,000	cubic meters	8.1
of which, commodity timber	2,680,800	cubic meters	24.5
Cement	3,077,600	tons	16.4
Plate glass	874,200	standard cases	-17.1
Sulphuric acid	210,421	tons	- 9.2
Caustic soda	21,527	tons	4.8
Chemical fertilizers	602,000	tons	1.6
Chemical insecticides	952	tons	-35.4
Outer tires	295,800		3.6
Power generating equipment	48,300	kilowatts	87.5

Machine tools	3,594	14.8
Trucks	5,455	100.0
Walking tractors	11,629	17.8
Internal-combustion engines	730,400 horsepower	43.7

Industrial economic efficiency further improved. Per capita productivity for state-owned industrial enterprises was 1,789 yuan, 7.9 percent higher than in 1984. The total output value of the budgeted industrial enterprises increased by 18.9 percent over 1984. Their sales income went up by 17.8 percent, their profits and product sales taxes rose by 24.5 percent, and their taxes turned over to the higher authorities increased by 23 percent. The turnover period for working funds was shortened from 97.8 days in 1984 to 95.3 days in 1985. However, the production costs for some comparable products rose by 6.2 percent over 1984. The quality of some products declined, consumption of raw materials increased, and deficits of some departments and localities went up.

III. Investment in Fixed Assets and the Building Trade

The construction of key projects and the updating and revamping of old enterprises were stepped up in 1985, and the management system underwent further reform. Total investment in fixed assets throughout the province came to 4.8 billion yuan, a 45.5 percent increase, or 1.501 billion yuan more than in 1984. Of the total, 3.372 billion yuan was in state-owned enterprises, 743 million yuan was in urban and rural collectively-owned enterprises, and 685 million yuan was from urban and rural individual investment. Of the investment in fixed assets for state-owned enterprises, 2.147 billion yuan went into capital construction, a 56.4 percent increase, or 775 million yuan more than in 1984. Of this, 572 million yuan was investment directly called for by the state plan, accounting for 91.5 percent of the state's adjusted plan. The newly added fixed assets in 1985 was 1.507 billion yuan and the rate of fixed assets put into use was 70.2 percent.

Construction of key projects was strengthened. Of the investment in capital construction, 567 million yuan was for energy projects, up 80.2 percent from the previous year; 239 million yuan for transportation and posts and telecommunications, up 190 percent; 34 million yuan for scientific research, up 39.3 percent; and 171 million yuan for education, up 49.7 percent. Investment in productive projects totaled 1.181 billion yuan, a 43.5 percent increase over 1984. Investment in non-productive projects was 966 million yuan, up 75.7 percent. Of this, investment in housing projects amounted to 438 million yuan, up 60.6 percent.

A number of key construction projects were completed on schedule and put into operation. The first phase project of the Kunming timber sodium phosphate plant, a key project of the state, passed the state inspection test and was put into operation. In the Nubuge hydropower station project, a dam was successfully built on schedule in November. Of the 36 key projects of the province, the following were completed and put into operation: The Jingkan sugar refinery, the Nongzhang sugar refinery, the Ruili sugar refinery, the Pengpu sugar refinery, and the Yimen copper mine. The following were expected to be completed and put into operation within a year: the No 1 generating unit of the second Xiaolongtan power plant, the southern vulcanization section of the ore dressing plant under the Yunnan Tin Company, the double superphosphate and sulphuric acid workshop of the Yunnan phosphate fertilizer plant, and the Puing phosphate mine of the Kunyang Phosphate Mining Bureau.

Capital construction last year helped add the following industrial capacities: 25,000 tons of detergent, 59,000 tons of machine-processed sugar, 119,000 kilowatts of power generating capacity, 1,184 tons of tin-containing concentrate, 3,366 tons of concentrate (containing copper), 296,000 tons of copper, and 300,000 tons of rock phosphate.

Headway was made in the technological transformation of existing enterprises. In 1985, state-owned enterprises made use of a total investment of 1,225 million yuan for equipment replacement, technological transformation, and other fixed assets, 17.7 percent more than the previous year. Of this amount, 978 million yuan was invested in equipment replacement and technological transformation, 133.7 percent of the planned 615 million yuan investment. Of the investment in equipment replacement and technological transformation, 207 million yuan was used to increase product variety and improve product quality and 237 million yuan was used to conserve energy and raw and semi-finished materials and strengthen transportation and posts and telecommunications. Of the 2,272 projects undergoing equipment replacement and technological transformation, 1,299 were completed and put into operation, which played an important role in bringing about technological progress in enterprises.

Equipment replacement and technological transformation last year helped and the following industrial capacities: 5,000 tons of caustic soda, 335,000 tons of cement, 14,000 tons of alcohol (including 5,000 tons of beer), 35,000 tons of sugar, 195,000 cartons of cigarettes, 538 kilometers of rebuilt highways, and 3,000 telephone switchboards in urban areas.

Further advances were made in the reform of the administrative systems of the building industry and capital construction. Of the 6,659 state-owned construction projects, 5,464 introduced various forms of contracted responsibility systems. The reforms brought about better economic results. The total output value of state-owned construction enterprises in 1985 rose 21.3 percent over the preceding year and per capita labor productivity was 19.4 percent higher than in 1984.

Geological survey work registered marked achievements in 1985. The provincial geological bureau and the geological units of the non-ferrous metal, coal, building materials, chemical industrial, and petroleum departments discovered and assessed 116 mineral-bearing areas and submitted 44 geological reports for industrial and agricultural construction. The targets for discovered reserves of 8 major minerals all surpassed the state targets.. Tunnelling footage completed in the year totaled 300,000 meters, 30,000 meters more than in 1984.

IV. Transportation, Posts, and Telecommunications

Reform and the measures adopted to tap latent potential enhanced the capacity of transportation. The volume of goods handled by various transportation means totaled 200 million tons, up 7.4 percent from 1984. Of the total, the goods handled by non-transportation departments increased by 22.9 percent over the previous year. The various transportation departments handled 8,562 million ton-kilometers of goods, a drop of 1.1 percent from 1984. Of this, the railways handled 6,483 million ton-kilometers, up 3.4 percent; trucks handled 2,039 million ton-kilometers, down 2.9 percent; ships and boats handled 39.45 million ton-kilometers, down 1 percent; and planes handled 541,600 ton-kilometers, up 28.3 percent.

The gross volume of passenger transportation was 7.285 million person-kilometer, a 26.5 percent increase over 1984. Of this, the volume of railway passenger transportation was 1,956 million person-kilometers, up 16.9 percent from 1984; the volume of road passenger transportation, 5,254 million person-kilometers, up 30.7 percent; the volume of waterway passenger transportation, 32.14 million person-kilometers, up 13.3 percent; and the volume of air passenger transportation, 43.02 million person-kilometers, up 23.7 percent.

Posts and telecommunications developed considerably. Transactions in 1985 amounted to666.75 million yuan, a 15.5 percent increase over the previous year. The number of letters handled went up 18.9 percent; newspapers and magazines distributed rose 12.8 percent; telegrams increased 22.6 percent; and long-distance telephone calls were up 16.1 percent. The year-end number of telephone subscribers in urban areas was 36,500, a 12.8 percent increase over the previous year.

Economic results improved in the transportation and posts and telecommunications departments. Income from railway transportation went up 7 percent and per capita productivity increased 7.2 percent over 1984. The average output of each locomotive rose 1.2 percent a day. Profits earned by enterprises directly under the administration of the Ministry of Communications increased by 150 percent over 1984. Local and rural telephone service reduced deficits by 300,000 yuan.

V. Domestic Trade and Supply and Marketing of Materials

Urban and rural markets thrived in 1985. The province's 1985 retail sales reaches 9.320 billion yuan, a 26.39 percent increase over the previous year (a 16.9 percent increase if price increases are factored in). Of the total sum, retail sales of consumer goods rose 28.8 percent and retail sales of farming materials and equipment went up 6.7 percent. Retail sales of 8 autonomous prefectures and 19 autonomous counties increased by 28.3 percent over 1984.

Retail sales of most principal consumer goods increased over 1984. Increases included grain, up 6.6 percent; vegetable oils, down 7.8 percent; eggs, up 13.3 percent; sugar, up 21.6 percent; cotton cloth, 31 percent; synthetic fabrics, up 22.6 percent; woollen piece goods, up 18.6 percent; silks and satins, up 52.4 percent; knitting wool, up 4.4 percent; knitwear, up 18.5 percent;

wristwatches, up 46.1 percent; bicycles, up 60.8 percent; cameras, up 25.2 percent; electric fans, up 67.3 percent; television sets, up 42.2 percent; cassette recorders, up 58 percent; washing machines, up 52.6 percent; and refrigerators, up 1,000 percent.

The reform of the commercial system developed significantly and the circulation of commodities quickened. By the end of 1985, the province had decontrolled 12 second-level industrial goods wholesale centers, accounting for 63.2 percent of those that should be decontrolled. A total of 4.325 small state-owned enterprises in the retail business, the catering trade, and other services were given a free hand in management, accounting for 96.5 percent of the total number of small enterprises. The number of commodity fairs in both cities and countryside increased from 2,554 at the end of 1984 to 2,665 in 1985. Trade value in 1985 amounted to 2.228 billion yuan, a 42.5 percent increase over the previous year. Retail sales in all economic sectors increased considerably. The total amount of retail sales in the state-owned sector grew 6.1 percent, while retail sales in the collective sector (including the supply and marketing cooperatives) rose 36.5 percent. Sales in the individual sector went up 82.8 percent. Sales in other economic sectors increased 84.4 percent, while retail sales by farmers to non-agricultural residents went up 48 percent.

The smooth take-off of the price reform in 1985 accelerated the development of the commodity economy, and market prices rose considerably. The general price indices for state purchases of farm and sideline products rose an average of 16.7 percent over 1984. The general retail price index in 1985 increased 8 percent over the previous year. The general retail price index rose an average of 12.7 percent in the cities and 4.9 percent in the countryside. The price of fresh vegetables rose 52.6 percent; meat, poultry, and eggs, 33.5 percent; aquatic products, 31.5 percent; fruit, 54 percent; grain, 10 percent; traditional Chinese medicines, 6.5 percent; books, newspapers, and magazines, 38.6 percent; and fuel, 3.1 percent. Retail prices for consumer goods such as garments and cultural and recreational goods increased slightly as well. The cost of living index of workers and staff went up 11.9 percent over 1984.

Sales of the major means of production in 1985 rose over the previous year. Coal sales increased 7.9 percent and cement 11.3 percent. Due to the short supply of billet and the consequent reduction of steel output, sales of rolled steel dropped 2.1 percent. With the gradual development in the reform of the material circulation system and with the increased scope of market regulation, the number of capital goods trade centers increased from 4 in 1984 to 21 in 1985 and their business volume reached 169 million yuan in 1985. The time for the turnover of fixed-quota circulating funds of the material supply departments was 94 days, 18 days less than in 1984.

VI. Foreign Trade and Tourism

The province's import and export expanded remarkably in 1985. According to statistics compiled by the province's foreign economic and trade department, imports and exports came to $209.52 million, a 36.1 percent increase over 1984. Of this, exports totaled $129.01 million, an increase of 15.8 percent over the previous year. Imports totaled $80.51 million, up 88.9 percent.

More foreign capital was used in 1985. The province used $1,637.700, a 650 percent increase over 1984. This included $1,564,900 in direct foreign investment, up 880 percent.

Further advances were made in economic cooperation with foreign countries. In 1985 the province signed three contracts for overseas projects and labor service, altogether worth $665,300. That same year, the province fulfilled contracts worth $6.84 million, a 33.7 percent increase over 1984.

The tourism industry developed steadily. A total of 72,000 visitors from over 50 countries and regions came to Yunnan in 1985 on tours and visits and for trade, sports, scientific, and cultural exchanges, a 28.6 percent increase over the previous year. The total included 47,000 foreigners, a 34.3 percent increase, and 25,000 overseas Chinese and Hong Kong and Macao compatriots, up 19 percent. Income from tourism amounted to 26.88 million yuan (foreign exchange certificates), up 93.4 percent from 1984.

VII. Science, Education, and Culture

Science and technology advanced amid reform, making fresh contributions to economic construction. The province's 56 key technological popularization projects yielded improved economic results. Of the 23 major scientific and technological hurdles to be tackled, 8 were fulfilled or passed the inspection test. A total of 144 scientific and technological research results won prizes from the provincial government. Last year, 154,100 natural science professionals and technicians were employed in state-owned enterprises and there were 94,500 people working in social sciences.

Education benefitted from structural reform. In 1985 institutions of higher learning enrolled 448 graduate students, 258 more than in the previous year. There were 724 graduate students in the province, 348 more than in 1984, and 98 graduate students completed their degrees. Following the reform of the enrollment and placement systems, universities and colleges enrolled 12,600 students, 3,700 more than in 1984. These schools had a total student body of 32,300 last year, 2,300 more than in 1984. Last year, 5,400 students graduated from these institutions. Adult higher education institutions enrolled 8,200 students, 3,900 more than the year before. The number of students studying in these institutions totaled 159,000, an increase of 5,600 over 1984. Graduates from these schools totaled 2,600.

Restructuring continued in secondary education. Secondary schools had an enrollment of 1,110,900 students, 98,800 more than in 1984. Vocational and technical schools (equivalent to senior middle schools) had 12,800 students; their proportion to the total number of senior middle school students increased from 4.7 percent in 1984 to 4.9 percent in 1985. There were 1,200 students studying at adult middle schools and 24,500 at adult secondary technical schools.

Progress was made in popularizing primary education. In 1985 there were 5,146,600 pupils in primary schools, and the attendance rate of preschool children increased from 92.2 percent in 1984 to 93.1 percent in 1985.

Considerable headway was made in preschool education and programs for the blind, deaf, mute, and mentally retarded.

Cultural units and the media made significant contributions to developing socialist spiritual civilization. The province had 6,888 cinemas and film projection teams, 156 performing art troupes, 130 cultural clubs, 149 public libraries, and 12 museums. In addition, there were 7 broadcasting stations, 24 radio transmitting and relay stations, and 12 television transmitting and relay stations, each with a capacity of more than 1,000 watts. Some 198.86 million copies of provincial newspapers, 11.607 million copies of magazines, and 110,872,100 books and picture books were published last year.

VIII. Public Health and Sports

Medical and health conditions steadily improved. The number of hospital beds in the province reached 68,000 at the end of 1985, an increase of 2.8 percent over the previous year. Professional health workers numbered 87,300, up 3.2 percent from 1984. Of this, 42,700 were doctors (including physicians practicing traditional Chinese and Western medicine), a 4.3 percent increase; and 17,400 were nurses, up 3.8 percent.

Sports made further headway. In 1985 the province's athletes broke two national records on four occasions. Last year, five athletes won the title of master athlete, and sports became more popular all over the province.

IX. Living Standards

Living standards in both urban and rural areas improved in 1985. A sample survey of 2,400 peasant families in 40 counties showed an average per capita net income of 338.34 yuan (including 300.02 yuan from productive activities and 38.32 yuan from cash and articles remitted or brought back by family members working away from home, and relief funds issued by the state), 14.7 percent more than in 1984. If price hikes are factored in, real income increased 8.5 percent. A small number of low-income farmers, however, still led fairly difficult lives.

A sample survey of 500 worker and staff member families in Kunming, Gejiu, and Xiaguan cities showed an average annual per capita income of 761 yuan, a 31.8 percent increase over 1984. Even allowing for the rise in the cost of living, real income for workers and staff members still rose by 17.8 percent.

In 1985 jobs were given to 84,100 people in urban areas. The province had 2,630,000 workers and staff members by the end of the year, 63,600 more than at the end of 1984. Self-employed workers in cities and towns totaled 116,600, an increase of 33,700 over the previous year. The annual wages of workers and staff members in 1985 totaled 3,013 million yuan (the total wages of workers and staff members), an increase of 24.3 percent over 1984, circulated on comparable prices. The average annual cash wages for workers and staff members was 1,171 yuan, 21.1 percent more than in 1984. The actual increase in workers' wages stood at 8.2 percent when the cost of living increase was factored in.

Labor protection work was strengthened somewhat in 1985. The number of workers of state-owned enterprises who died in the course of duty dropped 0.9 percent from 1984.

Urban and rural savings deposits increased by a big margin. By the end of 1985, individual bank savings amounted to 2,984 million yuan, 34.2 percent more than the 1984 year-end figure.

Housing for both urban and rural dwellers improved. Houses completed in cities and towns in 1985 totaled 3.51 million square meters in floorspace, and those built by farmers in the countryside totaled 14.37 million square meters.

Social welfare services continued to improve. There were 34 social welfare institutes in 1985 providing for 1,659 people throughout the province. Social welfare services run by rural collectives developed considerably, providing for 68,000 elderly, disabled, and orphans who had no other means of support.

X. Population

According to a sample survey of 19 counties and cities, the province's birth rate in 1985 was 21.48 per thousand, the morality rate was 8.02 per thousand, and the natural growth rate stood at 13.46 per thousand. Simple surveys indicated that by the end of 1985 Yunnan had 34,080,000 people, 460,000 more than the 1984 year-end figure.

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CSO: 4006/994

NORTHEAST ECONOMIC ZONE INCREASES INDUSTRIAL OUTPUT, SALES

SK220133 Shenyang DONGBEI JINGJI BAO in Chinese No 39, 19 Apr 86 p 1

[Text] In the first quarter of this year, the industrial output of the Northeast China Economic Zone increased steadily and the total volume of the retail sales of commodities also increased.

According to statistics, in the first quarter of this year, the industrial output value of the Northeast China Economic Zone was 29,785.78 million yuan, an increase of 4.5 percent over the corresponding period of last year. Of this, the industrial output value realized by Liaoning Province was 15,629.78 million yuan, an increase of 3.8 percent; that by Jilin Province was 5,107.27 million yuan, an increase of 8.8 percent; that by Heilongjiang Province was 8,383.5 million yuan, an increase of 1.9 percent; and that by the four leagues and city in the eastern part of Nei Monggol Autonomous Region was 665.34 million yuan, an increase of 25.9 percent.

Of the total industrial output value, the growth rate of the light industrial production was higher than that of the heavy industrial production. Comparing the first quarter of 1986 with that of 1985, the output value of the light industry of the Northeast China Economic Zone showed an increase of 5.9 percent and that of the heavy industry increased by 3.8 percent.

In the first quarter of this year, the total volume of retail sales of commodities of the Northeast China Economic Zone was 15,184.34 million yuan, an increase of 6.4 percent over the corresponding period of last year.

The total volume of the retail sales of commodities of Liaoning Province was 6,078.89 million yuan, an increase of 4.4 percent over the same period of last year; that of Jilin Province was 3.624.09 million yuan, an increase of 11.4 percent; that of Heilongjiang Province was 4,528.39 million yuan, an increase of 3.7 percent; and that of the four leagues and city in the eastern part of Nei Monggol Autonomous Region was 951.97 million yuan (not including the volume of commodities sold by peasants to nonagricultural residents), an increase of 14.9 percent.

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CSO: 4006/1043

ECONOMIC MANAGEMENT

IDEOLOGICAL PRICE REFORM QUESTIONS PRESENTED

Beijing NONGMIN RIBAO [Peasant Daily] in Chinese 26 Mar 86 p 4

[Article by Cheng Zhiping [2052 5268 1627], Director, State Price Bureau: "Several Questions Regarding an Ideological Understanding of the Price Reform"]

[Text] Editor's Note: This is part of the author's talk at a conference where he interpreted and explained certain comments relating to some of the masses' questions regarding pricing. This is a summary of the original that was published in LILUN DONGZH [Theoretical Trends].

"Is Price Reform the Same as Rising Prices?"

China's price reforms are mainly structural readjustments. There are price rises and falls; by no means is it all rises. Nevertheless, in the process of price reform, because of the relatively low prices of some of China's agricultural and basic industrial goods, except for striving to improve enterprise management, lowering consumption, and energetically disposing of some other items, we must basically rationalize prices within the next several years. Prices of some commodity goods and the general price level will increase in a certain number of years and this will be unavoidable. Viewing the commodity price situation over the past several years, under general conditions of moderate changes in the general commodity price level, prices of some commodities rose in a controlled way in accordance with the endurance capacities of the socialist economy. In this way, production was beneficially developed, markets enlivened, there was an abundant variety of goods and the people's livelihood was stable. This also stimulated the strengthening and flourishing of the nation, creating justice and peace. If we firmly surpress retail prices and do not permit them to change, over time this has to contract the margin between commodity buying and selling price differences to the point where it makes them turn around. Fiscal subsidies are greatly increasing, impeding the sale of goods and making more purchasers stand in line. In this way, a crisis may develop at a certain point. For a relatively long period hereafter, China's price reform must strive to protect basic price stability, adopt a method of gradual advance and turn small victories into large ones to achieve the goal of a basically rational price system.

Price Levels and the People's Livelihood.

On the surface, rising prices and improved livelihood are mutally contradictory. Viewing the situation of the past several years, the state increased some commodity prices in a planned and controlled way (of course, uncontrolled inflation must be decisively stopped). This is advantageous to promoting production and improving supplies. On the one hand, commodity price levels increased, and on the other hand, because of increased production the standards of living of broad massses of the people also improved, so it should be recognized that rising price levels and improved livelihood of the people also have a unified aspect.

Viewing the situation in 1985, when price rises compared to previous years were rather large, the income increases of the masses were also rather rapid. Although grain decreased in rural areas, quite a few economic crops increased in output, and most agricultural and sideline product prices were freed. Industrial and sideline industries developed rapidly, and the net incomes of peasants for the year are estimated to be over 10 percent greater than the 1984 level. Generally speaking, because the reform encouraged production, real household incomes of the great majority of the people still increased even after allowing for price rises.

Reforming the Price System: "Liberalization," "Readjustment," and "Market Participation" Are All Necessary

By studying the liberalization of live pork and certain fresh sideline food product prices, the state has determined that negotiated price guidelines must be used for live pork, vegetables and other important sideline food products. Prices will also be regulated under the guideline pricing of the state plan and based on the requirements of the law of value by means of economic processes and necessary administrative measures. State-run stores must positively participate in market readjustment, take up their leadership roles, sucessfully regulate shortages nad surplusses, maintain even prices and stabilize markets. The party Central Committee and the State Council have repeatedly asserted that during comprehensive reform of the price system "liberalization" (price liberalization), "readjustment" (readjustment of commodity prices), and "participation" (participation of state-run stores and supply cooperatives in market readjustment) are all essential. This is an essential condition for the smooth implementation of price reform and is also an important characteristic of a planned commodity economy.

One thing we must oppose after price reform is holding onto old methods and treating liberalized prices as secondary list prices. On the other hand, we must avoid thinking that liberalized prices are not to be managed at all and allowing the market to readjust itself, enduring explosive price fluctuations to the point that once produced, the danger is ignored. This is irresponsible to the state and to the people. We must firmly oppose and put a halt to it.

Practice proves that regarding the price liberalization on meat, vegetables, and other important sideline food products, if the state successfully performs the task of adjusting supply and demand to encourage production and brings into play the leadership role of state-run enterprises, then although prices will increase for a certain period, they will gradually tend to become rationalized and achieve a relative equilibrium.

Commodity Pricing Requires Comprehensive Management

Some people assert, "Why doesn't the Price Bureau administer prices?" We say that whether prices can maintain a basic stability and promote the continued health and even development of the state economy not only involves pricing departments, but also every economic sector. Even ideological and political work departments are involved to a certain extent. Prices are the mainifestation of the law of value. Price changes are mainly affected in three ways: 1. Chnages in commodity value. 2. Changes in supply and demand relations. 3. Changes in the quantity of money in circulatiion. Therefore, to preserve basic price stability, we must improve the economic results of enterprises, produce and supply saleable goods, restrict the production and supply rate of heavy industry and the growth ratre of fixed capital investment, and avoid excessive speed. We must limit the growth of consumption funds and credit and overcome the problem of blind inflation. In sum, basically speaking, we cannot overallocate state revenues. We definitely must maintain a balanced supply and demand of materials and commodities. Additionally, we must also strengthen political-ideological work, make each economic department motivated to achieve its best, not disguise price rises, or short, skimp, cheat or harm consumers. We often say the price situation is a comprehensive reflection of the condition of the state economy, and so the pricing problem requires comprehensive management.

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CSO: 4006/958

SHAANXI PROPOSES FIVE MEASURES FOR STABILIZING PRICES

Xian SHAANXI RIBAO in Chinese 11 Mar 86 p 1

/Article by Chai Liaozi /2693 1675 4371/: "Shaanxi Provincial Government Proposes Five Measures for Stabilizing Commodity Prices"/

/Text/ At a conference on commodity prices in Shaanxi, it was pointed out that the province had, by adopting a series of reforms in 1985, basically resolved the problem posed by the price of grain in the rural areas, readjusted the policy regarding the purchasing and selling of pigs, gradually lifted control over the prices of such perishable subsidiary foodstuffs as meat and vegetables, readjusted freight rates for short-distance railway transportation, relaxed price control over the means of industrial production outside the plan, and engaged in market readjustments. Preliminary reforms of the price structure have effectively served to promote the development of the commodity economy in the province. One major task concerning commodity prices in 1986 calls for consolidation, digestion, replenishment, improvement of the measures which had been adopted for price reforms, and the maintenance of the basic stability of commodity prices. Five specific measures were proposed at the conference for the stabilization of retail prices in the market. First, is the adoption of the contract system, the assumption of responsibility and strict control over the general increase in retail prices. Second, is the exercise of the proper degree of centralized control over commodity prices to forestall random price increases under various pretexts. Third, is the stabilization of prices for key commodities, especially those for subsidiary foodstuffs. Fourth, is the extension of assistance to the enterprises to exploit their potential, countering the effect of price increases in raw materials and readjusting and exercising control over the prices of the means of production outside the plan. Fifth, is the continuous supervision over and inspection of commodity prices to prevent price increases at random in violation of the policy concerning commodity prices.

9621/12228
CSO: 4006/902

COMMODITY PRICE DIRECTORS REVIEW INSPECTION WORK

OW151603 Beijing XINHUA in English 0801 GMT 15 May 86

[Text] Beijing, May 15 (XINHUA)--Nationwide price inspection focused on pork, poultry, eggs and other necessary daily goods will be stepped up in the second half of the year, according to the State Administration of Commodity Prices.

In order to make sure the work goes smoothly and effectively, directors of the country's provincial and municipal administrations of commodity prices met here today to discuss concrete measures.

Wang Xinjia, deputy director of State Administration of Commodity Prices, told XINHUA today that the inspection aims to guarantee stable prices and prepare for a further price reform planned for the next couple of years.

He stressed that cases of illegal price rises must be strictly handled according to the relevant regulations.

Since the initial reform of the price system last year, the Chinese Government has paid great attention to keeping prices stable and taken various measures to tackle illegal price rises.

During last year's nationwide price inspection, the state handled more than 394,000 such cases and confiscated over 430 million yuan gained by illegal prices rises, of which about 60 million yuan was returned to consumers.

Observers here pointed out that, apart from some lawless elements, such annoying cases happen because of loopholes in the relevant regulations.

They said that during the seven-day meeting, directors in charge of price monitoring might make up several new regulations, but the sources from the State Administration of Commodity Prices delcined to give more information on this point.

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CSO: 4020/329

ECONOMIC MANAGEMENT

HUBEI PUTS FOCUS ON IMPROVING MANAGEMENT OF ENTERPRISES

Wuhan CHANGJIANG RIBAO in Chinese 12 Mar 86 p 1

/Article by correspondent Pi Gongliang /4122 0361 0081/: "Hubei Puts Its Focus on Improving the Management of Its Enterprises"/

/Text/ Guo Zhenqian /6753 2182 0051/, deputy secretary of the provincial party committee and acting governor of Hubei, stated at a provincial economic conference yesterday that the province should seek to improve the management of its enterprises in the industrial and communication battle lines in 1986 by improving their quality, reducing their wastage and heightening their efficiency.

Listing the poor quality of the products, the high rate of energy consumption and raw material wastage and low economic effectiveness of the enterprises as fatal flaws in the economic operations of the province, Guo Zhenqian stated that priority should be given to key products in our effort to improve the quality of our products and to reduce the consumption of energy and raw materials. In setting quality standards for our products, we must at the same time set a quota for energy and material consumption; in inspecting the quality of our products, we must also look into the consumption situation; in evaluating the quality of our products, we must at the same time assess the consumption quota. Thus, while assessing the quality of our products, we should also direct our efforts toward the production of first-rate commodities at the lowest rate of consumption.

While seeking to improve the quality of our products and to reduce consumption, we must also make a serious effort to improve the management of our enterprises. We must have a clear understanding of the need and a sense of urgency to improve the management of our enterprises, so that they may achieve a high standard, a high rate of efficiency and a large measure of staying power.

Stressing the importance of the principles of "consolidation, digestion, replenishment and improvement" and the "three reforms" (a combination of reform, remolding, and reorganization and integration) in production in the industrial and communication areas during 1986, Guo Zhenqian pointed out that the "three reforms" should be applied to the large and medium-sized enterprises without delay. In bringing about reforms, we must carry out the three provisional stipulations issued by the State Council for enhancing the vigor of the large and medium-sized enterprises by continuing to reduce their directive planning, permitting them to reduce prices to sell their outmoded and overstocked commodities and readjusting and reducing the readjustment taxes levied on some large and medium-sized enterprises to ensure their survival on a priority basis. In the remolding of the enterprises, major support should be given to the large and medium-sized enterprises, so that their products may achieve an advanced technical standard as soon as possible. In bringing about reorganization and integration, full use should be made of their technical and personnel advantage to strengthen their lateral economic contacts to facilitate the distribution of spare parts for the various commodities and to make it possible for them to engage in specialized production. It will thus be possible to give the local township and town industries a headstart and to enable the large and medium-sized enterprises to improve the quality of their products, to develop new products, and to achieve technical progress.

9621/12228
CSO: 4006/902

ECONOMIC MANAGEMENT

BRIEFS

EAST-WEST DEVELOPMENT COOPERATION URGED--Xian, May 16 (XINHUA)--Cooperation between China's energy-short east and the technologically backward west is urgently needed to further the development of the two major regions. At a conference now being held in this Shaanxi provincial capital, experts called for establishing a coordinating office to promote such cooperation. They drew special attention to the economic links among areas along the Longhai and Lanzhou-Urumqi railways that run through Jiangsu, Henan, Shaanxi, Gansu and Xinjiang and their surrounding areas, covering a two-thirds of the country's total area. According to the experts, 80 percent of China's coal reserves, 60 percent of its oil and natural gas, and 40 percent of its hydroelectric potential have been found in the western part of the country. Many Chinese and foreign economists agree that this area has great potential to become one of the Chinese economic centers in the 21st century. Chinese leaders Hu Yaobang and Zhao Ziyang have on many occasions called for closer cooperation between the eastern and western parts of the country. [Text] [Beijing XINHUA in English 1337 GMT 16 May 86 OW] /6662

SOUTHWEST COOPERATION--Kunming, May 20 (XINHUA)--Since agreeing to extend cooperation two years ago, five southwest China regions have over the past two years cast off the administrative divisions in a joint effort for economic progress. According to an economic coordination meeting which opened here today, Sichuan, Guizhou and Yunnan provinces, Guangxi Zhuang Autonomous Region and Chongqing City have signed agreements on 3,600 projects, 46 percent of which have already been implemented. Administratively, Chongqing is under the jurisdiction of Sichuan Province, but financially, it is independent of the province. With assistance from the central government, work is now under way to connect 14 regional highways to improve the southwest China road system, the meeting was told. In addition, they have also built a number of chemical plants and developed mines. At present, the authorities of the five localities are planning to further extend their cooperation in science, technology, culture and education. Encouraged by Chinese leaders Hu Yaobang and Zhao Ziyang, these resource-rich yet economically-underdeveloped localities decided to join hands in developing their economies in 1984. [Text] [Beijing XINHUA in English 1338 GMT 20 May 86 OW] /6662

CSO: 4020/329

ABOLITION OF FOREIGN EXCHANGE CERTIFICATES POSES PROBLEMS

Hong Kong MING PAO in Chinese 11 Apr 86 p 17

[Article by Cai Junhua [5591 0193 5478], lecturer in the Economics Department, Hong Kong University: "Abolition of Foreign Exchange Certificates Poses a Multitude of Problems"]

[Text] The value of a country's currency stems principally from its exchangability, and the exchangability of currency has two principal aspects, as follows: First is its exchangability for other currencies, i.e., the degree of ease with which the currency may be exchanged for another currency. In addition is the exchangability for goods, i.e., the degree of ease with which the holder of a currency can exchange it for or use it to buy products from the country of issuance. If the exchangability of a country's currency for the currency or goods of another country is limited solely to the residents of the country, the currency is termed "internally" exchangable. If it is limited only to the residents of a foreign country, it is termed "externally" exchangable.

The "internal" exchangability of renminbi is not high, i.e., residents of China cannot readily convert renminbi into foreign currency. At the same time, it is also not easy to convert the renminbi one holds into the products one wants to buy. This is the main reason that China is a country that exercises centralized state control over foreign exchange, as a result of which residents are not permitted to convert foreign currency at will. At the same time, China is a country that practices a planned economy whereby the production, circulation, and consumption of very many commodities as well as the kinds and amounts of commodities imported and exported are planned. In order to insure plan realization, the state does not permit residents to buy commodities freely and as they please.

Black Market in Renminbi Arises in Response

After institution of the open door policy and the influx into China of a large number of foreign traders and tourists, if renminbi were to have the same very low exchangability for these people that it has for residents of China, i.e., renminbi being not only limited in exchangability internally but also externally, both aliens and compatriots from Hong Kong and Macao would find it difficult to convert foreign currency to renminbi or to convert their unused renminbi into foreign currency to be taken out of the country. At the same time, it is would also be very difficult to use the already converted renminbi to buy things in China. Thus, China's open door policy would be unable to make headway. Consequently, in order for China's open door policy to meet needs while simultaneously maintaining foreign exchange controls and the planning system intact, China,like socialist countries in eastern Europe, has had to maintain limitations on the internal exchangability of renminbi while at the same time carrying out fairly free exchangability of renminbi externally. The specific means for keeping these two kinds of exchangability separate are of two kinds, as follows: One is the method used by other socialist countries, namely, to permit use of foreign currency within the country, but restricting its use to foreign residents. To permit the circulation of foreign currency inside China seems to damage the sanctity of national sovereignty; therefore, China's method has been to issue yet another form of renmibi, namely foreign exchange renminbi, which is also termed foreign exchange certificates. These foreign exchange certificates are like foreign currency. Their exchangability is very high, and they differ only in that renminbi is used as the unit for figuring their value. These foreign exchange certificates may be used solely by foreign guests in order to keep domestic foreign exchange separate from the commodity market's "internal" and "external" exchangability.

Theoretically foreign exchange certificates may be used only by foreign guests and by compatriots from Hong Kong and Macao. In practice, however, it is very difficult to separate Chinese from foreign residents. As a result, foreign exchange certificates have come to be used by both Chinese and foreign residents alike. Since exchangability of foreign exchange certificates is higher than for renminbi, a black market in renminbi has risen in response. As a result, not only has speculation and profiteering been engendered to gain foreign exchange illegally, but national management of foreign exchange and export and import plans has come under attack as well.

Temporarily Difficult for Renminbi To Replace Foreign Exchange Certificates

In order to solve the problems that have been produced since the issuance of foreign exchange certificates, China recently announced intentions to abolish foreign exchange certificates, and to forbid the circulation of other foreign currencies at the same time, as well as its intention to make renminbi the sole currency in circulation in China. Abolition of foreign exchange certificates would serve a positive function in reducing black marketing of renminbi. Nevertheless, abolition of foreign exchange certificates could not complete wipe out the black market in renminbi, because abolition of foreign exchange certificates would not strike at the root causes for the black market in renminbi.

First of all, the main reason for existence of a black market in renminbi is the not very high exchangability of renminbi itself. Holders of renminbi hope to convert it into a currency of relatively high exchangability. Therefore, the best way to wipe out the supply of black market renminbi is to increase the internal exchangability of renminbi itself. As for increasing the exchangability of renminbi itself for other currencies and real goods, so long as a situation exists of foreign exchange supply being unable to meet demand not only would a tremendous lowering of the foreign exchange value of renminbi be required, but China would simultaneously have to abandon planned management of the production, consumption, exportation, and importation of major goods.

Clearly, it will be very difficult for China to meet these requirements during the next several years.

Second, if the internal exchangability of renminbi cannot be increased and foreign currencies are not permitted to be used in China, in order to maintain the external exchangability of renminbi so as to avoid increasing the inconvenience to foreign guests and so as to hasten the pace of the open door policy appropriately, China has no choice but to seek some other "circulation device" to replace the function that foreign exchange certificates serve. If this new "circulation device" administratively cannot attain being "limited solely to use by foreign guests," this new "circulation device" will turn into another target for renminbi black market exchange.

Therefore, though China has decided to abolish foreign exchange certificates, as a result of various circumstances, this has not materialized and it seems that this will be done will not occur during the next 1 or 2 years.

(Editor's Note: Chinese Communist plans to abolish foreign exchange certificates before 1990 has great ramifications. We have invited quite a few scholars who are well-versed on China's economy, and particularly on currency issues, and people in business circles to compose articles and analyze this problem for this newspaper. Mr Cai Junhua's work is the first of a series of special articles on this subject. Other articles will appear one after another in succeeding weeks, and it is hoped that readers will give attention to them. In addition, beginning next week, Free Forum will increase the number of times it is published, appearing on Monday through Friday for a total of 5 days each week.

9432
CSO: 4006/975

FINANCE AND BANKING

REGULATIONS ISSUED ON RURAL CREDIT COOPERATIVES LOANS

Beijing NONGMIN RIBAO in Chinese 8 Apr 86 p 2

[Article: "Make Full Use of the People-to-People Lending Role of Credit Cooperatives. Person-in-Charge of the Credit Department of the Main Office of the Chinese Agricultural Bank Answers Correspondent's Questions on 'Rural Credit Cooperatives Provisional Methods For Controlling Credit'"]

[Text] On 28 February, the Main Office of the Chinese Agricultural Bank published "Rural Credit Cooperatives Provisional Methods for Controlling Credit," (hereinafter abbreviated as "provisional methods"). This was the first document issued since the founding of the People's Republic devoted to guiding the credit activities of rural credit cooperatives, and it brought to a close a history of credit cooperatives following the body of methods used by national banks. The correspondent interviewed the person-in-charge of the credit department of the main office of the Chinese Agricultural Bank on pertinent questions about these "provisional methods," asking him for replies to the following questions:

Who are the recipients of credit explicitly cited by the "provisional methods" and what are the requirements for obtaining loans?

Answer: The recipients of credit specifically cited by the "provisional methods" are contracting households, specialized households, and rural cooperative units engaged in farming, forestry, animal husbandry, sideline occupations, and fisheries; enterprises run by townships, villages, or households, and various forms of jointly operated enterprises or new economic partnerships (collectively designated partnerships, the same applying hereinafter) that conduct independent accountings with the approval of authorities concerned; rural cultural and educational, health, and scientific and technical entrepreneural units that derive income from their operations and can be counted on to repay funds; independent rural economic households and economic partnerships whom authorities concerned have authorized to engage in handicraft industries, businesses, transportation, construction, or the service trades.

Small loans to peasant households in general aside, all other applicants for credit must meet the following requirements: Contracting units (or households) must have contract agreements; joint economic organizations must have joint agreement documents; industrial, commercial, transportation, construction, and service units or individuals must also have business licenses or construction permits issued by industrial and business administrative units and be qualified as juridical persons. They must conduct independent accounting, be responsible for their own profits and losses, have sources of supply of raw materials, possess skills necessary for production, and have markets for their products. They must themselves be able to put up a proportional amount of funds required by regulations, and a method for sharing excess profits must be spelled out clearly. They must possess usable or salable materials and assets of a value equivalent to the amount of credit issued that can serve as security for a loan. When a unit or individual having requisite economic strength guarantees a loan and the entity guaranteed is unable to fulfill his contractual obligations to repay the loan, the entity that has guaranteed the loan will be held economically responsible for repayment. In addition, the lender must establish a savings account in a credit cooperative. The lender must regularly provide the cooperative with production plans and statements of financial earnings, accepting supervision and inspection by the credit cooperative.

In addition, cadres in national organizations and cadres and staff members in banks and credit cooperatives may not obtain loans from credit cooperatives.

What provisions does the "provisional methods" contain with regard to time limits and interest rates on loans?

Answer: Cooperatives may set the period of a loan in accordance with the production cycle of the trade to which the loan is made. The period of loans for production or of personal loans may not exceed 1 year at most, and loans for production equipment may not be for a period longer than 3 years. Loans must also be made on the basis of the overall ability of the borrowing unit to repay the loan, the amount of the loan to be repaid year by year and payment by payment being decided through discussion between borrower and lender. These terms are to be noted in detail in the lending agreement and are to be strictly adhered to.

Credit cooperatives may use nationally decreed basic interest rates as a basis for applying variable interest rates to loans. Variable interest rates may be set higher or lower depending on the social benefit derived from the endeavor for which the loan is issued, the amount of profit to be derived, ability to repay, and credit rating of the borrower. In some cases, the variable interest rate will be close to the market interest rate, the extent to which the interest rate varies and the limits of variation to be determined by individual credit cooperative branches. Credit cooperatives are to figure interest on loans to township and town enterprises quarterly; interest on all other loans is to be figured annually.

What are the limits on examination and approval authority and procedures for loans provided for by the "temporary methods"?

Answer: Credit cooperatives are to conduct rigorous examinations preliminary to approval, and are to adhere to a system of collective examination and approval for large loans. They are to carry out a policy of collection by the entity that makes the loan.

When a borrowing unit wants to make a loan, it must prepare a loan request. Before the credit cooperative issues the loan, it must conduct a feasibility study, selectively deciding which projects are to be supported. Only following level by level examination and approval within the limits of authority may the loan be granted. Loan procedures may be simplified where the period of the loan is short, the amount small, and the peasant household has a good credit rating. Once a loan agreement has been signed according to law, it has the force of law. Should either side want to change or abrogate the original agreement, it must notify the other party in writing at once. Until such time as this agreement takes effect, the original agreement remains in force.

Before a loan may be issued, item-by-item assessment and verification of sums must be made. Collective proof for loans to be issued to individuals, or individual proof for loans to be issued to collectives is inadmissible. Credit cooperatives are to make checks after issuing loans to insure that loans are being used properly.

In the issuance of loans, credit cooperatives are to institute a system for compliance when loans are due for repayment. Before a loan is due for repayment, the credit cooperative must issue a reminder to the borrowing entity. If the borrowing entity is temporarily unable to repay the loan, it must make a request for an extension to the credit cooperative 3 days before the loan is due for repayment. After approval has been issued, procedures for an extension of the loan period may be carried out. Extensions are to be controlled tightly, and may be granted only once. The maximum extension may not be longer than the period of the original loan.

Democratic management is to be practiced in the issuance of loans, with a bolstering of supervision by the masses. Credit cooperatives are to publicize regularly or irregularly, either orally or in writing, the status of loans for the information of commune members, and they must heed the suggestions and reactions of the masses. They are also to conduct analytical studies to propose actions for improvement. They are also to set up files on borrowers to improve management of loan funds.

What provisions do the "temporary methods" contain on punishment of those who violate credit discipline?

Answer: Should any entity use funds for purposes other than those prescribed in a loan agreement or receipt for a loan, the credit cooperative has authority to recover all or part of the loan. When funds are used in violation of agreements or not in accordance with the period of time stipulated in an agreement, an interest penalty amounting to 50 percent of the agreed upon interest rate is to be imposed for the amount of funds thus used. In serious cases, issuance of new loans may be halted for a fixed period of time. Should loans fail to be repaid when due and no extension has been requested, a penalty interest based on the original interest rate is to be paid on the portion in arrears. In addition, credit cooperatives are empowered to garnishee loan funds from the savings accounts of borrowers as well as to take over their property. When loans are used for illegal activities, such funds are to be recovered at once and penalty interest payments collected as well. Serious cases are to be reported to judicial institutions for disposition.

Credit cooperatives that do not provide loans for the period of time and the amount stipulated in agreements are to pay interest penalties in accordance with the interest rates stipulated in the agreements and for the period of time that such agreements have been violated.

9432
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FOREIGN INVESTORS ATTRACTED BY TAX BENEFITS

OW170838 Beijing XINHUA in English 0639 GMT 17 May 86

[Text] Beijing, May 17 (XINHUA)--China will continue to offer foreign investors generous tax conditions in the future in a bid to attract more foreign funds.

Since the law on income tax for joint ventures using Chinese and foreign investment was passed in 1980, China has published several detailed regulations concerning taxation of foreign investors.

In coastal cities and regions open to the rest of the world, the normal 30 percent rate of income tax on company earnings has been halved to 15 percent for firms introducing much-needed advanced technology.

The 15 percent rate is also applied to enterprises backed by foreign investment of more than 30 million U.S. dollars and those who require long periods to recover investment.

And all enterprises backed by foreign investment in special economic zones enjoy the 15 percent tax rate, which can also apply to energy and transport ventures, according to an official of the state taxation administration.

Outside economic zones, enterprises solely backed by foreign investment are taxed at between 20 and 40 percent according to their level of investment.

These measures, introduced in late 1984, have been effective in encouraging foreign investors to China, the official said.

By the end of last year, the number of Sino-foreign joint ventures amounted to more than 3,700, and there were 120 enterprises backed solely by foreign investment. There were 1,500 representative offices of more than 520 foreign firms in China.

Deals involving direct foreign investment signed between 1980 and 1985 were worth 1.7 billion U.S. dollars. The official added that still greater effort was needed to tap the potential of banks to make more rational use of foreign funds.
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CSO: 4020/329

BRIEFS

PERSONAL FOREIGN CURRENCY SAVINGS UP--Beijing, May 16 (XINHUA)--China's personal foreign currency savings have reached the equivalent of more than 200 million U.S. dollars, a 20 percent increase over the figure for the end of last year, according to INTERNATIONAL BUSINESS. South China's Guangdong Province ranks first as regards the amount of personal foreign currency savings. Beijing and Shanghai municipalities and Fujian Province come close behind, said the paper. Such savings are useful for investment in Sino-foreign joint ventures, technical retooling of enterprises, and boosting production for export, the paper noted. [Text] [Beijing XINHUA in English 0056 GMT 16 May 86 OW] /6662

CSO: 4020/329

INDUSTRY

XINJIANG DOUBLES LIGHT INDUSTRY OUTPUT VALUE

Urumqi XINJIANG RIBAO in Chinese 22 Jan 86 p 1

/Article by reporter Liu Xiaofeng /0491 2556 7364/: "Light Industry in Xinjiang Region Triumphantly Doubles Its Output Value; Output Value and Tax for Profit in 1985 Increase 111 Percent and 136.7 Percent, Respectively, Over 1980 Fulfilling 1990 Tax for Profit and Output Value Plans 5 Years Ahead of Schedule"/

/Text/ Designated professions and trades under light industry in the Xinjiang Autonomous Region realized output value of more than 950 million yuan in 1985, an increase of 111 percent over 1980, showing an average annual increase of 16.2 percent. By the end of 1985, the tax for profit materialized came to more than 220 million yuan, which represents an increase of 136.7 percent over 1980 and an average annual increase of 18.8 percent. Light industry's output value of tax for profit was coubled over 1980, thus fulfilling the 1990 plan 5 years ahead of schedule.

During the Sixth 5-Year Plan, Xinjiang's light industry developed more than 830 new products and varieties; there was a marked increase in the output of products such as beverage, wines, canned goods, cigarettes, dry battery cells, powdered soap, and many other consumer goods for daily use, whose output had doubled and redoubled. The quality of products had also improved noticeably, with 73 appraised by pertinent central departments and the autonomous region as quality products. Their excellent achievements are attributable to the following:

—The implementation of the economic responsibility system from top to bottom, with every level committed thereby to solving the problems of having workers and staff members eat from the same big pot of enterprises and enterprises eat from the same big pot of the state, and greatly reducing the number of enterprises of light industry in the Xinjiang region operating at a loss.

—Conscientious implementation of the policy of opening to the outside and vigorous pursuit of the work of importing from abroad and cooperating with units in the interior. During the Sixth 5-Year Plan, 19 items were imported from abroad, most of which had been put into operation and achieved results; there were also more than 300 projects of economic cooperation with fraternal provinces, municipalities, and areas in the country, thereby bringing about some changes in the shoddy processing of substantial materials by Xinjiang's light industry enterprises and markedly improving economic results.

—Exploiting the advantage of local resources, following the road of developing light industry by the state, collectives, and individuals, extensively absorbing idle funds in society and giving priority in developing food, leather, paper, plastic, clothing, and packing industries and items of specially needed by national minorities.

12662/12228
CSO: 4006/903

CHINA'S LIGHT INDUSTRY DEVELOPMENT TARGETS SET

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Mar 86 p 1

/Article by reporters Li Qian /2621 5409/ and Li Hexin /2621 0735 0207/: "China's Light Industry Sets Development Targets; Considerable Progress Will Be Made in Food, Clothing and Durable Consumer Goods During Seventh 5-Year Plan"/

/Text/ It is learned from the national conference of light industry department and bureau directors which opened on 3 March that considerable progress will be made during the Seventh 5-Year Plan in the production of food, clothing, durable consumer goods, paper, salt-processing, synthetic detergents, plastic products, photosensitive materials, leather and hides, furs and related products, art, craft, and interior decoration items, cultural and educational articles and sports goods, articles for national minorities, and various types of small commodities by light industry to cope with the national economic development and the people's needs for basic articles for daily use.

Light industry is responsible for supplying consumer goods which account for more than one-third of the purchasing power in society. This is especially true during the Seventh 5-Year Plan when the people's consumption pattern, the consumption structure, and the consumption concept will be changing. The range of consumption of people in urban and rural areas will also expand with each passing day and the level of consumption will rise repeatedly. All this calls for new progress in both quantity and quality in the production of consumer goods at home.

It is understood that during the Seventh 5-Year Plan the state will increase a certain amount of investment for developing production in the light industry system and plan to continue construction on 25 large and medium projects and 44 new projects and totally integrated subsidiary projects for 7 production lines to produce beer, clothing, paper, canned goods, beverages, glass vases and containers, and leather. The productive capacity of a number of products, such as paper, sugar, beer, and beverages is expected to increase greatly. In spite of all this, a certain gap still remains between light industrial development and the rise of living standards.

The conference emphasized that to enhance the productive capacity of certain products in short supply and boost capacity to ensure continuous growth of light industry, it is imperative to arrange for a certain number of capital construction projects. However, we should never aim only at expanding the scale of capital construction in developing light industry. We must be aware that many enterprises have conspicuous problems characterized by high material consumption, low labor productivity, and poor economic results, thus making it more pressing and realistic for us to get on with technological transformation of existing enterprises and to publicize modern management. Moreover, we should pursue reform constantly and steadily, invigorate more than 1,000 large and medium enterprises in priority, and improve measures for reforming small enterprises, including those that have been put into effect in state and collectively owned enterprises. Except for a handful of light industry products bearing on the national economy and the people's livelihood that are under state control, we should adequately decontrol the prices of light industry products, especially those of small commodities, and gradually harmonize the price system. We should further develop lateral economic ties, exercise stringent control over professions and trades, organize transregional and transdepartmental enterprise groups is various forms and scale, and enhance the competitiveness of products in the domestic and world market with "hot-selling" goods as the lead and by relying on backbone enterprises.

12662/12228
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INDUSTRY

SHAANXI HOLDS MEETING TO BOOST INDUSTRIAL PRODUCTION

HK221544 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 21 May 86

[Text] Yesterday afternoon [21 May], the provincial government held an on-the-spot meeting on directing industrial production, demanding that all staff members and workers on the industrial and communications front throughout the province work hard to contribute more to the fulfillment or overfulfillment of the quotas for production for the first half of this year.

In his speech at the on-the-spot meeting, Zeng Shenda said: Industrial production and communications in our province rose and fell in the first 4 months of this year. The salient problem was that development was uneven and speed less than ideal. To fulfill the quotas for production for May and June, we must now pay attention to grasping the following several aspects of work well:

1. In national defense, it is necessary to vigorously produce military articles, to develop articles for civilian use, and to make up for the shortfall in output. The units which fulfill their quotas relatively well must be rewarded. The leadership groups which bungle the chance and adversely affect the progress of production must be promptly readjusted and existing problems solved.

2. It is essential to vigorously grasp production in the key places and key trades and production of the key products. Three cities, Tongchuan, Xianyang, and Xian must take measures to alter the passive situation. Apart from the national defense industry system, the four key trades, including petrochemical industry, coal industry, textile industry, and electronics industry, must firmly grasp the weak links and promote the development of production. All departments and prefectures must regard the items which have big production runs and which are marketable as the key point and expand production and increase output through cooperation or by creating favorable conditions. Regarding the newly-built projects and modified projects which will soon be put into operation or which have partly been put into operation, we must step up winding up on the one hand and on the other hand, carry out careful organization and make very good preparations for putting them into operation in order to ensure that these projects work successfully on their first test run and will be put into operation at an early date.

3. It is imperative to strengthen sales ability and to enliven sales activities. Some sales people can be suitably rewarded. The departments of finance, audit, and tax and banks must support enterprises' rational sales, provide service, and facilitate the development of enterprises' production.

4. It is necessary to relax the policy of loans and to guarantee the supply of materials. All prefectures, cities, and industrial departments must strengthen coordination with the banks and material departments, and make good arrangements for the issuing of loans and for the supply of materials.

5. It is essential to really strengthen leadership over the organization of industrial production. The provincial government has organized a group for grasping industrial production in the whole province, held regular meetings, and grasped this work thoroughly. All prefectures, cities, and industrial departments must also take certain measures to strengthen leadership over the organization of industrial production.

At the meeting, the state-run (Huashan) Machinery Plant and Northwest First Printing and Dyeing Mill respectively introduced their experiences in persisting in reform and strengthening management.

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CSO: 4006/1043

INDUSTRY

BRIEFS

FRG-SHANGHAI JOINT AUTO VENTURE--Beijing, May 17 (XINHUA)--The Shanghai Volkswagen Corporation, a joint venture between China and the Federal Republic of Germany, produced 1,564 cars during the first three months of this year, today's PEOPLE'S DAILY reported. The biggest joint venture in China's automotive industry produced 1,733 "Shanghai-Santana" cars in 1985, the first year of the corporation's operation. The factor is expected to produce 8,000 Santana cars by the end of this year, the paper said. The 1990 target is to produce 300,000 cars and 500,000 engines annually, when technical revamping and the renovation of workshops is completed, it said. [Text] [Beijing XINHUA in English 0620 GMT 17 May 86 OW] /6662

CSO: 4020/332

SMALL-SCALE ENTERPRISES

HUNAN PLEDGES DEVELOPMENT OF TOWNSHIP, TOWN ENTERPRISES

Changsha HUNAN RIBAO in Chinese 21 Feb 86 p 1

/Article by commentator: "Hunan Pledges Unremitting Efforts To Develop Its Township and Town Enterprises"/

/Text/ The development of township and town enterprises in Hunan has been speeded up in recent years. The gross income of township and town enterprises in 1985 came to 9.5 billion yuan, showing an increase of 47.5 percent compared to the previous year. The development of township and town enterprises has served effectively to promote the readjustment of the structure of rural industries, the employment of surplus labor in rural areas, the development of commodity production, the establishment of small cities and towns in the rural areas, the development of lateral economic relations between the cities and rural areas, and the establishment of spiritual civilization in the rural areas. Numerous instances point to the fact that the development of township and town enterprises is essential to the invigoration of the rural economy and the doubling of agricultural production.

While the overwhelming majority of our comrades favor the development of township and town enterprises, there are those who hold different views.

Some comrades feel that township and town enterprises are being developed at too rapid a pace and that it should be reduced to avert the creation of shortages in various areas. It is true that township and town enterprises developed at a high rate of speed in 1985 and that certain businesses were developed in a haphazard manner. Generally speaking, however, these enterprises have been developed in a proper and healthy way and not at an excessive rate of speed. Although the township and town enterprises in our province had an early start, they have been slow in long-term development and have a weak foundation, so that their potential is considerable. Compared to the more advanced provinces and cities, our province still lags far behind. For instance, the gross production value of the township and town enterprises in our province came to only one-fourth of that of Jiangsu and less than half of that of Zhejiang. Furthermore, the township and town enterprises in our province are being developed at an uneven rate. While the production value in some counties and cities has exceeded 400 million yuan, that of most counties and cities is only in the millions or 10 millions. That goes to show that we are correct in promoting the healthy development of our township and town enterprises instead of adopting a negative attitude and relaxing our efforts. Most of the existing township and town enterprises in our province are of the labor-intensive type involving little capital construction and small amounts of investment. They tend to yield rapid results and to call for the consumption of a large amount of live labor and a relatively small amount of materialized labor. With the strengthening of macroeconomic control, the shortage of funds and energy resources is not likely to be exacerbated.

Some comrades put the blame for the reduction of grain production in our province last year on the excessive speed in the development of township and town enterprises. This view is entirely without justification. The reduction in grain production in our province last year was due to a number of factors. First, it was a result of serious natural disasters; second, it was due to the reduction in the acreage for grain production resulting from the readjustment of the industrial structure in the rural areas; third, it was a result of the relaxation of leadership in agricultural production in certain areas. All these factors have nothing to do with the development of township and town enterprises. On the contrary, the development of township and town enterprises has increased the value derived from the processing of many agricultural sideline products, offered greater incentive to the peasants to engage in planting and breeding operations, increased the income of the peasants and collectives and contributed to the stable increase in agricultural production by making use of the industries to promote agriculture. If the township and town enterprises had not been developed to compensate for losses in agricultural production last year, greater difficulties would have surfaced this year.

Pointing to the many problems plaguing the township and town enterprises, some comrades have expressed certain doubts regarding their development. It cannot be denied that certain problems do exist in the development of township and town enterprises. For instance, some enterprises tend to rush headlong into production in a haphazard manner; some inefficient enterprises produce commodities of poor quality and at high cost; some incur a high rate of accidents and contribute to the pollution of the environment. These problems must be properly dealt with instead of being swept under the carpet. However, these problems have emerged while progress is being made and are incidental to the development of township and town enterprises which, after all, are something new. Due to the lack of experience and the slow dissemination of information, such problems are to be expected in the process of development. We would be indulging in fantasy and ignoring realities not to expect the emergence of certain problems. What we should do is to dedicate ourselves to helping the township and town enterprises to benefit from their experience, to overcome their shortcomings and to resolve their problems.

It is incumbent upon those in party and administrative leadership positions in various areas and the concerned departments to regard the development of township and town enterprises as a development of a strategic nature and as an important item on the agenda, to implement conscientiously the basic policy of developing township and town enterprises set by the central and provincial governments, to render active support to the policy, to engage in proper planning, to provide sound leadership, to strenthen their control, and to render wholehearted service so that township and town enterprises may be developed in a sustained and healthy manner.

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CONSTRUCTION

BEIJING TO REDUCE CAPITAL CONSTRUCTION SCALE

HK161045 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1014 GMT 14 May 86

[Text] Beijing, 14 May (XHONGGUO XINWEN SHE)--Beijing Municipality will reduce the scale of capital construction by a big margin this year. The construction area will be reduced from some 40 million square meters, which was originally planned by various departments at the beginning of this year, to about 23 million square meters.

In his report submitted for approval to the municipal people's congress, Beijing Mayor Chen Xitong said: An excessive scale of capital construction will further aggravate the city's shortage of land and building materials. He hoped that various central departments and army systems in Beijing would understand and support Beijing's measures in reducing the scale of capital construction.

A group for examining construction projects, composed of specialists and departments concerned, is examining and readjusting major projects and projects involving foreign capital. It is expected that the construction of a number of guesthouses and office buildings will be canceled or postponed.

Wang Jun, chairman of the municipal planning committee, said: The construction of infrastructure for water supply, power supply, communications, and so on will be given priority. The construction of seven restaurants and hotels which involve foreign capital, including the guesthouse of Beijing Restaurant which involves the capital of Hong Kong businessmen, will not be affected by the reduction of the scale of capital construction. The construction of residential houses will maintain a relatively high pace. It is expected that 4.5 million square meters of residential houses will be completed by the end of this year.

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CSO: 4006/1043

CONSTRUCTION

AERONAUTICS INDUSTRY BUILDING LARGE AUTOMOBILE BASE

Beijing ZHONGGUO JIXIE BAO in Chinese 18 Mar 86 p 1

/Article by reporter Ge Yunchi /5514 6663 3069/: "Construction of One of China's 10 Largest Automobile Bases Has Started in Aeronautics Industry; During the Seventh 5-year Plan Period, It Will Have the Capacity To Produce 100,000 Minicars and 140,000 Engines Annually and a National Center of Automobile Industry Models Will Also Be Built"/

/Text/ The construction of a minicar production base is being arranged with the Harbin Aircraft Manufacturing Plant of the Ministry of Aeronautics Industry, the Andong Machinebuilding Plant, and the Jingdezhen Changhe Aircraft Manufacturing Plant as the main body, it will be shaped into a capacity for production of 100,000 minicars and 140,000 engines annually. This base will be China's largest minicar production base after Tianjin and also one of China's 10 largest automobile industrial bases.

China's aeronautics industry is clearly related to its automobile industry. In many respects, they have similar production equipment and manufacturing processes, and many qualified people in the aeronautics industry came from the automobile industry; in addition, the aeronautics industry's enterprises also engaged in the production of automobiles in the past. All this has laid favorable conditions for departments of the aeronautics industry to develop the automobile industry.

Since the 3d Plenum of the 11th CPC Central Committee, in compliance with the state unified planning and guided by the principle of "ensuring military needs while shifting toward civilian production and integrating military with civilian production," the Ministry of Aeronautics Industry has decided to import from a Japanese company advanced 1980's-level model cars and technology and arranged for the construction of a minicar production base. After more than 5 years of hard work, a minicar production base with the Harbin Aircraft Manufacturing Plant, the Andong Machine-Building Plant, and the Jingdezhen Changhe Aircraft Manufacturing Plant as the main body and composed of more than 200 transdepartmental and transprovincial, and transtrade factories has emerged in embryonic form. The 0.6-ton Songhuajiang Brand minitrucks and the Changhe Brand bakery minitrucks they have developed passed the state apprasial in October 1985, reaching the level of the Japanese models. By the end of 1985, these factories had produced more than 5,600 minicars and more than 13,000 engines, attaining the level of producing more than 80 percent of the cars entirely at home.

At the moment, the technological transformation plan of the minicar production base of the Ministry of Aeronautics Industry has been listed as a key state project of technological transformation during the Seventh 5-Year Plan period. The approved first-phase project to be completed by 1987 will have a capacity of producing 100,000 automobiles and 140,000 engines annually.

Recently, the Ministry of Aeronautics Industry signed a joint investment agreement with the China Automobile Industrial Corp. and the pertinent enterprises of these two units. By taking full advantage of the superior designing by the large-sized computer, drafting machine, and measuring machine of the departments of the Aeronautics Ministry and on the basis of the superior manufacture by high-precision machine tools such as the data control and processing center, methods and equipment for measuring and testing will be increased and improved and a technological transformation will be made. A national automobile industry model center will be established by the end of 1988.

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CONSTRUCTION

XINJIANG LEADERS ATTEND PETROCHEMICAL PLANT OPENING CEREMONY

HK021325 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 1 May 86

[Excerpts] The construction project of the Zepu petrochemical plant was started today in a petroleum base in southern Xinjiang. The project is a key project of the CPC Central Committee and the State Council to support and develop the region.

Wang Enmao, vice chairman of the CPPCC and chairman of the regional advisory commission; Li Tianxiang, vice minister of petroleum industry; Jiao Liren, advisor; Song Hjanliang, Tomur Dawamat, Janabil, (Tan Guangcai), Huang Baozhang, (Chailichimu Silamu), Bai Chengming, (Jin Yinghui), and Chen Shi, leaders of the regional party, government, military, and corps, attended the opening ceremony for the construction of Zepu petrochemical industrial plant project.

Also present were responsible comrades of the regional administrative bureau for the petroleum industry; Kashi, Hotan, and Kizilsu prefectures and autonomous prefectures; as well as over 5,000 people from places across the country, who are participating in the construction project.

The opening ceremony was presided over by Huang Baozhang, vice chairman of the region. Tomur Dawat, deputy secretary of the regional CPC committee and regional chairman, delivered a speech at the ceremony.

He said: The CPC Central Committee and the State Council are paying much attention to the building of the region, as well as the region's people of various nationalities. Now, the construction of the Zepu petrochemical industrial plant project has resulted from the attention paid to the region by the CPC Central Committee, the State Council, and other departments concerned, including the Ministry of Petroleum Industry. The leadership and departments concerned at various levels in the region, as well as various trades, must fully understand the significance of the project. They should spare no effort in supporting this project in terms of manpower, material, and financial resources, so as to strive to complete it and put it into operation by 1 May 1989.

Li Tianxiang, vice minister of petroleum industry, spoke at the ceremony. He said he will try his best to support the construction of the project, so as to contribute to putting an end to the backward situation in the area sooner.

As music played, Wang Enmao, vice chairman of the CPPCC and chairman of the regional advisory commission; and Jiao Liren, advisor to the Ministry of Petroleum Industry, cut the ribbon for the construction of the Zepu petrochemical plant project.

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CSO: 4006/1043

CONSTRUCTION

BRIEFS

NEW SHIPS BERTHS IN LIAONING--Shenyang, May 14 (XINHUA)--Liaoning Province in northeast China is to build 26 new ship berths during the seven five-year plan period (1986-1990), with a capacity of handling more than 20 million tons of goods annually. As a result, the province's handling capacity will go up to 63.7 million tons a year when the construction is completed. There are four large harbors, including Dalian harbor, the second-largest in the country, in Liaoning Province, which is an important industrial region and the communications channel to Jilin and Heilongjiang provinces, and the Inner Mongolia Autonomous Region. The development of shipping berths will be centered on Dalian harbor and include Dandong, Yingko and Jingzhou harbors. China is to build 100 deepwater berths with a capacity of over 10,000 tons of cargo per year each during this period, of which 20 will be set up in the province. In addition, of 80 medium and small berths to be constructed throughout the country, 16 will be built in Liaoning. Already under way are the construction of three berths with a total capacity of 9,000 tons a year--one in Dalian, and two in Yingko. They will be completed within this year. Meanwhile, the construction of another four berths wih a total capacity of 14,000 tons is due to start in Dandong city. [Text] [Beijing XINHUA in English 0553 GMT 14 May 86 OW] /6662

CSO: 4020/332

HEILONGJIANG GOVERNOR MEETS JAPANESE ECONOMIC DELEGATION

SK170538 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 15 May 86

[Excerpts] The Japan's Hokkaido Prefectural economic delegation, headed by (Suzuki Shigeru), president of the (Pozhi) Bank of Hokkaido, called on the provincial government this morning. Governor Hou Jie met with all members of the delegation and made a friendly and warm speech.

Governor Hou Jie said: Heilongjiang Province and Hokkaido Prefecture are similar in terms of natural resources and geographical conditions. With a good foundation for conducting cooperation, we believe that the visit of the delegation will certainly promote and develop the friendly cooperation and exchanges between the province and the prefecture in the economic, scientific and technological, and cultural fields. Since last August, more and more Japanese friends, in particular, the friends from financial and industrial circles in Hokkaido Prefecture, have visited our province to conduct economic and technological cooperation and trade talks. I shall lead a Heilongjiang provincial delegation to visit your country in the near future and to formally sign a protocol on establishing friendly relations between the province and the prefecture. And then, the friendship between Heilongjiang and Hokkaido will enter a new stage of development.

The Hokkaido Prefectural economic delegation, headed by (Suzuki Shigeru), president of the (Pozhi) Bank, is composed of the members of 14 enterprises and limited companies in the banking, agricultural, forestry, aquatic produects industry, and farm machinery fields. The delegation arrived in Harbin City on the morning of 14 May. During its stay in Harbin, the delegation will hold talks with our province on the issues of developing bilateral trade, economic, and technological cooperation.

Governor Hou Jie will host a banquet for all members of the delegation in the (Huayuancun) Guesthouse this evening.

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CSO: 4006/1040

TEXT OF CHINA COUNCIL REGULATIONS

HK150342 Beijing RENMIN RIBAO in Chinese 5 May 86 p 2

["Regulations of the China Council for the Promotion of International Trade"]

[Text] Chapter I .

General Provisions

Article 1. The China Council for the Promotion of International Trade, that is, the China Chamber of Commerce for Foreign Trade [Zhong Guo Dui Wai Shang Hui 0022 0948 1417 1120 0794 2585], is called Chinal Council for Promotion of Trade [Zhong Guo Mao Cu Hui 0022 0948 6319 0191 2585] for short.

Article 2. The China Council for Promotion of Trade is a nationwide non-governmental organization dealing with foreign economic relations and trade, which is formed of representative figures, enterprises, associations, and organizations of the Chinese economic and trade circles.

Article 3. The purpose of the China Council for Promotion of Trade is to boost foreign trade, make use of foreign capital, introduce advanced technology from foreign countries, promote economic and technological cooperation in various forms with foreign countries, expedite the development of international ties in the trade, economic, and technological fields, and enhance mutual understanding and friendship between the Chinese people and all peoples in the world and between the Chinese and foreign economic and trade circles, in accordance with the policies, laws, and decrees of the PRC Government.

Article 4. The China Council for Promotion of Trade is a corporate body which, in its capacity, is entitled to sign with its foreign counterparts agreements, protocols, and other documents at the non-governmental level with a view to promoting trade and economic and technological cooperation.

Article. 5. The China Council for Promotion of Trade is sited in Beijing.

Article 6. Branches of the Council for Promotion of Trade shall be set up in provinces, autonomous regions, municipalities, and cities separately listed in the state plan of the PRC; and sub-branches shall be set up in cities under the jurisdiction of provincial and autonomous regional governments.

Chapter II

Functions

Article 7. The functions of the China Council for Promotion of Trade are:

1. To carry out investigations and studies, provide Chinese and foreign enterprises and organizations concerned with information and consultative service relating to trade and economic and technological cooperation, introduce partners for cooperation, and make efforts to promote foreign trade, to make use of foreign capital, to introduce advanced technology, and to initiate technological transformation projects in enterprises.

2. To make efforts to strengthen ties with the economic and trade circles of all countries, invite individuals, as well as delegations, from foreign economic, trade, and technological circles to visit China, take charge of entertaining them, and organize tours for delegations and study groups of the Chinese economic, trade, and technological circles to visit foreign countries.

3. To develop ties with foreign chambers of commerce, economic and trade associations, and other international economic and trade organizations, join international economic and trade organizations or participate in their activities, keep in touch with the Beijing offices of foreign industrial and commercial organizations which are the foreign counterparts of the China Council for Promotion of trade, and when necessary, commission permanent representatives or set up representative organs abroad.

4. To participate in, organize, or cosponsor with its foreign counterparts international conferences concerning international economic affairs and trade.

5. To encourage and help Chinese enterprises and organizations relating to foreign economic relations and trade to host abroad economic and trade exhibitions or to participate in international expositions, and act as their coordinator in these activities.

6. To arrange for foreign parties to hold economic, trade, and technological exhibitions in China, sponsor multinational exhibitions and international expositions, act as the coordinator for the Chinese parties concerned in entertraining their foreign counterparts which hold economic, trade, and technological exhibitions in China, and establish and manage the China International Exhibition Center.

7. To promote and organize technological exchanges between China and foreign countries, and take charge of collection, distribution, display, and

exhibition of catalogues and samples of foreign new products as well as various foreign scientific and technological publications.

8. To provide service with regard to foreign economic relations and trade and maritime legal affairs, accept and hear cases of general and particular average adjustment, issue certificates of origin for products exported from China and certificates of force majeure, and sign, issue, and endorse documents relating to foreign trade and freight service.

9. To act as authorized agent of clients in applying for patent and trade mark registration, provide consultative service regarding industrial property right and trade of technology, and assist in handling disputes concerned.

10. To publish and distribute related journals and books, organize economic and trade symposiums, present China's principles and policies relating to and development in economic construction and foreign economic relations and trade, provide information on import and export commodities, and promote exchange and cooperation with foreign promotion and publishing organizations relating to the economic and trade circles.

11. To guide the branches of the China Council for Promotion of Trade in their operation.

12. To handle other affairs with a view to promoting economic relations and trade.

Chapter III

Membership

Article 8. The China Council for Promotion of Trade is composed of individual members, enterprise members, and corporate members:

1. Individuals, scholars, and researchers engaging in foreign economic relations and trade can join the China Council for Promotion of Trade as individual members;

2. Enterprises relating to foreign economic relations and trade can join the Council as enterprise members; and

3. Organizations, bodies, associations, and academic institutions relating to foreign economic relations and trade can join the Council as corporate members.

Article 9. Branches of the Council for Promotion of Trade set up in provinces, autonomous regions, municipalities, and cities separately listed in the state plan of the PRC are ex-officio members of the China Council for Promotion of Trade.

Article 10. A member has the following rights:

1. The right to vote, to elect, and to stand for election;

2. The right to make suggestions on and to supervise the work of the China Council for Promotion of Trade;

3. The right to participate in the activities concerned of the China Council for Promotion of Trade; and

4. The priority of enjoying the service and assistance rendered by the China Council for Promotion of Trade.

Article 11. A member shall perform the following obligations:

1. To observe the regulations of the Council;

2. To assist in and undertake the work assigned by the China Council for Promotion of Trade; and

3. To pay membership dues (individual members are exempt from the payment of membership dues).

Chapter IV

Organization

Article 12. The highest organ of power of the China Council for Promotion of Trade is the members' representative assembly, with the committee of the assembly as its standing body.

Article 13. The members' representative assembly is to be convened once every 5 years by the committee of the assembly. An interim members' representative assembly shall be convened when the committee deems it necessary. Two-thirds of the representatives will form a quorum for a members' representative assembly.

Article 14. The functions of the members' representative assembly of the China Council for Promotion of Trade are:

1. To fix the working guidelines, tasks, and plans;

2. To examine and adopt work reports submitted by the committee;

3. To discuss important matters concerned and formulate resolutions;

4. To ratify and revise the regulations of the China Council for Promotion of Trade; and

5. To elect the committee.

Article 15. The committee is elected for a term of 5 years. It must meet at least once a year, and one-half of the committee members will form a quorum for a committee meeting.

Article 16. The duties of the committee are:

1. To implement resolutions adopted by the members' representative assembly and be accountable to it;

2. To nominate the honoary chairman of the China Council for Promotion of Trade;

3. To elect the chairman and vice chairman of the Council;

4. To engage special advisers;

5. To examine and ratify work reports submitted by the chairman;

6. To examine and approve the annual financial plan and the final accounting of revenue and expenditure;

7. To make decisions on the establishment, modification, and abolishment of any functional bodies;

8. To guide and coordinate the branches of the Council in their operation and activities;

9. To examine and approve applications for membership; and

10. To convene regular or interim members' representative assembly.

Article 17. The chairman takes charge of day-to-day work of the China Council for Promotion of Trade and the calling of committee meetings. He exercises leadership over the operation of the Council and signs agreements and documents concerned on behalf of the Council. The vice chairman assists the chairman in his work. When the chairman is absent, a vice chairman shall function in an acting capacity. The term of office for both chairman and vice chairman is 5 years.

Chapter V

Financial Affairs

Article 18. The China Council for Promotion of Trade is financially independent and owns private properties. It is entitled to establish, whenever there is a need, enterprises which practice independent economic accounting and enjoy the status as corporate bodies.

Article 19. The China Council for Promotion of Trade raises its funds from the following sources:

1. Membership dues paid by members;

2. Revenue arising from provision of various services;

3. Donation from enterprises;

4. Subsidies from the government; and

5. Other income.

Article 20. The fiscal year of the China Council for Promotion of Trade begins on 1 January and ends on 31 December.

Chapter VI

Branches

Article 21. The branches of the China Council for Promotion of Trade set up in provinces, autonomous regions, municipalities, and cities separately listed in the state plan of the PRC are local non-government organizations dealing with foreign economic relations and trade formed of representative figures, enterprises, associations, and organizations of local economic and trade circles.

Article 22. The purpose of the branches of the China Council for Promotion of Trade is to boost foreign trade, make use of foreign capital, introduce advanced technology from foreign countries, promote economic and technological cooperation in various forms with foreign countries, expedite the development of ties of their own provinces, autonomous regions, municipalities, and cities separately listed in the state plan with foreign countries in the trade, economic, and technological fields, and enhance mutual understanding and friendship between local people and all peoples in the world and between the local and foreign economic and trade circles, in accordance with the policies, laws, and decrees of the PRC Government.

Article 23. A branch of the Council for Promotion of Trade is a corporate body which is entitled to formulate its own regulations in light of the regulations of the Council for Promotion of Trade, to operate on its own, and to sign agreements, protocols, and other documents at the non-governmental level with a view to promoting trade and economic and technological cooperation.

Article 24. A branch of the Council for Promotion of Trade implements its own financial plan. It is entiteld to acquire properties and undertake obligations in its own name. It is entitled to establish in its own province, autonomous region, municipality, or city separately listed in the state plan, whenever there is a need, enterprises which practice independent economic accounting and enjoy the status as a corporate body.

Chapter VIII

Artibration Bodies

Article 25. A foreign economic relations and trade arbitration committee shall be set up under the China Council for Promotion of Trade to arbitrate cases with regard to foreign economic relations and trade.

Arttiele 26. A Maritime Arbitration Committee shall be set up under the China Council for Promotion of Trade to arbitrate maritime cases.

Chapter VIII

Supplementary Articles

Article 27. Whenever there is a need, other organizations shall be set up under the China Council for Promotion of Trade, with the approval by the Committee of the Council.

Article 28. The regulations shall come into force on 4 May after having been discussed and adopted by the members' representative assembly of the China Council for Promotion of Trade.

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CSO: 4006/1040

MINISTRY OFFICIAL VIEWS PLANS TO BOOST FOREIGN COUNTER TRADE

HK130717 Beijing CHINA DAILY in English 13 May 86 p 1

[Article by Zhu Ling]

[Text] A major effort is being made this year to boost China's foreign counter trade.

The move should intensify economic cooperation between China and Third World countries as well as diminishing the trade imbalance with some developed nations, according to a senior official of the Ministry of Foreign Economic Relations and Trade.

Assistant Minister Zhu Youlan said: "In view of the serious shortage of hard currency in many countries, we can use counter trade to expand our overseas business, exporting our products in exchange for goods that are needed by our industries and consumer markets."

Zhu said that China's counter trade basically fell into three categories--barter, counter-purchase and compensation trade.

She explained that barter trade involved the exchange of goods of equal value without any money changing hands. Counter-purchase refers to a form of cash transaction whereby one trade partner buys goods from another country for money on the understanding that that country will buy back a certain amount of goods.

Compensation trade, she said, means that an importer can pay for equipment with goods produced with that imported equipment.

The assistant minister told CHINA DAILY that the ministry had been encouraged to develop counter trade by the current wave of such business sweeping the rest of the world.

Nearly 90 countries were involved in counter trade in 1984 when its volume accounted for 30 percent of all world trade.

In 1985, Zhu said, China cultivated counter-trade links with some 20 countries and business volume was estimated at between $700 and $800 million. This estimate excludes compensation trade deals, which were included in foreign investment figures.

Last year, China signed compensation deals worth $213 million, up 31.5 percent from 1984.

Sources said that counter trade not only allowed China to increase its foreign trade without using up hard currency but also brought more Chinese goods to the world's attention.

Zhu said that China was rapidly developing counter trade. "There will surely be more progress in this direction this year," she said.

Last year, China's counter trade mainly involved raw materials and consumer goods. This year, there is a change of focus. Emphasis is being put on the import of complete sets of equipment and technology, which will enable China to produce more goods for the world market, she said.

In 1985, China carried out barter trade with a number of countries including Indonesia, Brazil, Zimbabwe, Tunisia, Singapore, Algeria and Sweden.

China mainly bartered rice, cotton, tea, jute, [words indistinct], bicycles and farm machinery for timber, steel, cement, plywood, pig iron, chemical fibres, motor vehicles and sugar.

"This year, we have conducted trial barter imports of complete plants [word indistinct] power the export of our commodities," Zhu said.

So far, the country's Huaneng International Power Development Corporation in Beijing has signed barter contracts with General Electric Corporation of the United States, Mitsubishi Consortium of Japan and Alsthon Corporation of France to import their coal-fired plants in return for Chinese products.

The assistant minister said that barter and counter-purchase trade deals would be approved by her ministry and the Bank of China would act as guarantor.

The Ministry of Foreign Economic Relations and Trade opened an office last May within its Import and Export Bureau to coordinate and manage such trade.

With the development of the country's economy and the increase of its industrial and rural production, Zhu said, counter trade was expected to expand into other areas, such as labour service, technology and leasing.

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CSO: 4020/328

GUANGDONG CONTINUES OPENING TO OUTSIDE WORLD

OW211036 Beijing XINHUA in English 1025 GMT 21 May 86

[Text] Guangzhou, May 21 (XINHUA)--Guangdong Province, whose export volume accounts for over 10 percent of China's total, has planned to export five billion U.S. dollars worth of goods by 1990.

This means a 73 percent increase over 1985 and an annual increase of 11.5 percent during the next five years, said Governor Ye Xuanping here today at the provincial people's congress.

By then, he said, finished products will account for 55 percent of Guangdong's exports, as compared to the present 40 percent.

Benefited from trade relations with 140 countries and regions in the world, the province exported 12.5 billion U.S. dollars worth of goods during the 1981-1985 period, a 67.1 percent increase over the previous five year.

Ye said that his province will also further develop its three special economic zones while building a number of enterprises with advanced technology in its two economic and technological zones in Guangzhou and Zhanjiang.

Guangdong's three special economic zones are Shenzhen, Zhuhai, and Shantou. China has altogether four such zones, with the fourth one--Xiamen City--in Fujian Province.

Other plans include "effectively introducing" foreign funds and technology, boosting tourism, and encouraging overseas Chinese and compatriots in Hong Kong and Macao to invest in their hometowns in the province.

The province introduced 2.4 billion U.S. dollars of foreign funds in the past five years, with an average annual increase of 47 percent.

The Sino-foreign joint ventures, cooperative enterprises and foreign-funded enterprises set up in the province now account for 60 percent of the total in China.

Guangdong received 1.85 million overseas tourists in 1985, as against 868,000 in 1980.

Governor Ye said the annual domestic gross product of the province will reach 92 billion yuan in 1990, a 56-percent increase over 1985.

He said the growth rate--9.3 percent annually--will be "a little higher" than the country's average but lower than the province's own growth rate during the 1981-1985 period.

Investment will be concentrated on energy, transport, telecommunications and raw material industry, he said.

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CSO: 4020/328

FOREIGN TRADE AND INVESTMENT

BRIEFS

JAPANESE LOCOMOTIVES PURCHASE--China signed a contract yesterday evening to use Japanese loans for the purchase of 80 locomotives from Japan. The China National Technical Import Corporation (CNTIC) will use Japanese loans totalling about $100 million to buy the electric locomotives from Sumitomo Corporation. The contract was signed in the Great Hall of the People by Xu De'en, general manager of CNTIC and Tadashi Ito, general manager of Sumitomo Corporation. In the past, China bought electric locomotives mainly from France. Last year, 150 electric locomotives were imported from there, an official of the Ministry of Railways told CHINA DAILY. With the rapid expansion of railways, domestic production of electric locomotives has lagged behind the soaring demand. The imports of electric locomotives using low-interest and long-term foreign loans will ease the pressure on the already strained railways. [Article by Wang Xiangwei] [Text] [Beijing CHINA DAILY in English 22 Apr 86 p 2 HK] /6662

TRADE TALKS WITH MALAYSIA--Hong Kong, May 8 (XINHUA)--Chen Muhua, state councillor and president of the People's Bank of China, arrived in Kuala Lumpur today for a four-day official visit to Malaysia, according to the Malaysian News Agency BERNAMA. Chen paid the visit at the invitation of Governor of Bank Negara (Central Bank) Jaffar Hussein. Chen Muhua is scheduled to call on Prime Minister Mahathir Mohamad, Finance Minister Daim Zainuddin and Trade and Industry Ministery Razaleigh Hamzah. She is expected to discuss with the Malaysian officials matters relating to the promotion of trade, banking and insurance cooperation and other areas of economic ties between the two countries. [Text] [Beijing XINHUA in English 1147 GMT 8 May 86 OW] /6662

CSO: 4020/328

ISSUES IN ENTERPRISE WAGE SYSTEM REFORM DISCUSSED

Shijiazhuang HEBEI RIBAO in Chinese 2 Jan 86 p 4

/Article by Liu Jianxin /0491 1696 2450/: "Issues in Enterprise Wage System Reform"/

/Text/ The enterprise wage system reform is now getting underway throughout the province and is being closely observed by the broad mass of workers. It is of the utmost importance to unite everyone's thinking under party policies and principles and to further arouse enthusiasm on all fronts in order to successfully reform the enterprise wage system.

Linkage and Separation: The heart of this round of reforms of the enterprise wage system is the linkage of an enterprise's wages and bonuses with its economic returns and with the individual achievements of its workers. But these wages must be separated from wage reforms and wage adjustments for government organs and institutions. This is simply referred to as the "double linkage" and the "single separation." These solutions are the culmination of our experiences and have been arrived at through diligent consideration; they are important reforms that stand in contradistinction to the old, corrupt wage system. In the long run, all workers are to be considered direct socialist labor with wage adjustments under a nationally regulated and unified wage system; thus everyone will "advance hand in hand" and "be considered equal." But at present we are still unprepared in China to implement directly socialized labor or to equate all forms of labor. If this were so, the climate for managing an enterprise would be obliterated as would the relationship between economic returns and worker achievements, which would ultimately lead to a formal equality of workers as opposed to the inequality in reality. This most certainly is the main reason that enterprises "eat from the common pot" of the nation and workers "eat from the common pot" of the enterprise. Thus in order to destroy the two "common pots" it is necessary to abandon the long-used system in which income is distributed in one fashion.

A worker's remuneration must be closely tied to his individual work contribution and the enterprise's overall economic results; these wages must fluctuate with the level of economic returns achived by the enterprise. If an enterprise's economic returns are high and a worker's contribution signifciant, then his pay can be increased; in the opposie situation his pay must drop. This method focuses concern on the quality of an enterprise's management, on economic returns, and on the contribution of individual workers; the principle of each according to this work is to be grounded in reality. Moreover, enterprises, as economic entities, must have the right to manage their own wages. After implementing the second step of the tax reforms and linking total wages with the fluctuation of an enterprise's economic returns, relations between the government and enterprises should become better, the financial state of enterprises should improve and most enterprises should be able to become self-reliant. Enterprises must fully utilize wages as an economic lever, improve production and management, and do a good job of reforming the wage system. Thus it is essential that the government divest itself of the old wage-distribution system and instead focus its energy on production efforts and raising economic benefits. Only if production and economic returns increase will there be further improvement in the daily life of workers. Wage reform is a big step in the right direction.

Institutional Wage System and Graded Wage System: In this round of wage reforms, a structured wage system will be instituted whereby the wages of employees for government organs and institutions will be mainly determined by their professional duties; a graded wage system will be instituted for enterprise employees in which wages are tied to professional duties and technical level. Since a dual wage system is being implemented, it is necessary to consider the special characteristics and nature of work at government organs and institutions and enterprises as well as their traditional and present wage structure. Agencies and institutions are mainly service-oriented and are managed by the administrative government; their income distribution is a redistribution of national income. Enterprises are mainly concerned with material production and circulation; wage distribuiton is a form of direct distribution. A dual wage system is geared toward better implementing the principle of to each according to his work. The main component of the institutional wage system is professionally-based wages, which are determined by the actual administrative or technical responsibilities of a worker. Moreover, changes in responsiblities must be matched by wage changes. Thus a national worker's wages will be closely related to his job duties, responsibilities, and achievements. This should help raise the technical level of the worker and his efficiency and abolish pay imbalances that result in wages incommensurate with the profession.

Enterprises must institute a graded wage system with pay rooted in standardized technical levels, so that wages and technical skills are suitably matched; wage hikes must be based on assessment of technical levels. A wage system based on professional level must also be established for enterprise cadres with income directly related to professional duties. Merging a worker's pay with his technical level and amount of responsibility is a much better system. Moreover, if an enterprise can itself set concrete wage standards based on that enterprise's actual circumstances and if its economic returns are satisfactory, its funds abundant, and if it operates effectively in the long run, then it will be able to raise wages. However, if economic returns are poor and funds in short supply, resulting in a lowering of wage levels, this would be a further reflection of the principle "to each according to his work." Thus the broad mass of enterprise workers must accurately comprehend the Central Committee's policies and principles for wage reform and deeply appreciate the meaning behind the dual wage system. There cannot be indiscriminate imitation of the government organ and instituiton wage system, nor can there be competition with them.

The Purpose of Wage Reform and Increasing Wage Levels: At present, some people are raising a hullabaloo over wage reforms. They believe that wage reforms merely means wage hikes, a significant reform meaning a significant increase and a minor reform implying a minor wage increase. All they can see is more money. This kind of awareness is onesided. In truth, wage reform is being instituted with wage increases as the foundation, but the purpose of wage reform is to relinquish the former wage system which was detrimental to the development of production forces and establish a wage structure based on the principle of to each according to his work that can mobilize the enthusiasm of enterprises and workers. A new wage system that promotes the growth of production is not reform merely for the sake of individual wage increases. Thus, we must focus on rational wage relationships and establish a new wage system. We should realize that though China's economy has grown significantly in recent years, the forces of production are still at a relatively low level and the economy is still not very prosperous. With national finances and enterprises capabilities still limited, it is quite impossible for each worker to receive a large wage hike in one fell swoop. Moreover the growth rate of wages must remain below the growth rate in production and national income; the average growth in wages must also stay below the labor productivity growth rate. Overall labor costs in an enterprise's production scheme must continue declining. If reality is ignored and wages are blindly increased, consumer funds will grow wildly and that will surely result in serious aftereffects that will most certainly hinder national development and the steady improvement in the daily life of workers. It should also be realized that history has handed down to us many wage problems which are quite complicated. Many of these problems demand solutions from the point of view of an individual or a unit, but in considering the overall picture, these solutions would spark a chain reaction that would be difficult to deal with. Thus we must first take into account the interests of the whole.

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LABOR AND WAGES

LIAONING WORKERS LEARN ADVANCED FOREIGN TECHNOLOGY

OW201016 Beijing XINHUA in English 0950 GMT 20 May 86

[Text] Shenyang, May 20 (XINHUA)--Learning advanced foreign management and technology has become popular among workers, technicians and officials in Liaoning Province, the biggest heavy industrial center in China.

This change from an attitude of rejection of things from abroad is due to the policy opening to the rest of the world, local officials said.

Almost all major industrial enterprises in the province have imported technology and equipment from abroad over the past few years.

"We are backward economically and technically so we should learn the strong points of all nations to make up for our deficiencies," said Wang Dingsen, a 33-year-old worker in the Liaoyang Petroleum and Chemical Fibre Company.

When Wang entered the company eight years ago, the company imported technology and equipment from France, Italy and the United States.

"Operating this imported machinery," he said to himself, "it is not enough to depend on my junior middle schooling." He was determined to learn operation skills.

He went to the workers' training center of the company every evening. When a machine was installed, he always took notes on the foreign technicians' instructions on the principles, properties and operation skills.

With the help of his notes, Wang has not only become a skilled worker but also improved the operation process. As a result, the machine saves 100,000 kwh and 3,000 cubic meters of water a month against the designed indicators in the preparation of nitrogen.

Like Wang Dingsen, more than one-third of the 7.9 million workers in Liaoning are attending technical schools or training classes.

Most of the over 100,000 scientists and engineers in the province have finished advanced training courses, attended new technology lectures or followed TV courses as well as classes in foreign languages.

Liu Zongmeng, 48, an engineer of the Benxi Iron and Steel Company, has reviewed the Russian he studied earlier and learned Japanese and English in recent years.

As a result of reading the latest information about foreign furnaces, he understood that China's furnaces yielded 20 percent less than advanced models because of backward testing and measuring facilities.

He developed an automatic testing and measuring system for furnaces which received state appraisal last year. Use of the system in Benxi and Wuhan iron and steel companies has brought 1.7 million yuan in savings per furnace a year thanks to lower energy consumption and higher iron output.

Du Jingxin, director of the Dalian locomotive and rolling stock plant, said: "We are confident we can master the world's up-to-date technology and produce advanced locomotives."

He and engineers of the plant have visited Britain, Federal Germany, Switzerland and the United States in recent years.

Thanks to the imported technology from a British company, his plant has produced three new models of diesel locomotives. Compared with the old model, the latest type increases drawing power by nine percent, extends utilization life by 40 percent and reduces oil consumption by 40 percent.

The plant is now developing another model locomotive with cooperation from British experts.

Local officials said that almost all the enterprises' libraries have subscribed to foreign journals and collected foreign technical books. International standards have been adopted by a growing number of enterprises.

More than 50 countries have held exhibitions of technology and new products in Liaoning over the past few years.

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CSO: 4020/329

LABOR AND WAGES

SICHUAN'S LABOR SERVICES IN 1985 REVIEWED

Chengdu SICHUAN RIBAO in Chinese 12 Mar 86 p 2

[Article by Xie Jichong [6200 4949 0394]: Sichuan Placed 270,000 Workers in 1985"]

[Text] In 1985, 270,000 urban and rural workers were placed. The output value of the labor services companies' province-wide network exceeded 1.2 billion yuan and realized a profit of more than 50 million yuan.

In accordance with the relevant State Council and provincial government regulations, all levels of personnel departments throughout the province enhanced their thinking about and organization of labor service companies. In a spirit of correcting the incorrect, every level and type of labor service company was purified and rectified. Policy boundaries were clearly demarcated, the ideology guiding business was set right, promoting the healthy and stable development of labor service companies. In the past year more than 1,000 labor service companies sprung up, an increase of 29.6 percent over 1984, and more than 3,200 collective enterprises were set up, an increase of one-third over 1984. The development of production opened the way to placement of those awaiting employment. Last year, the number of workers placed in collectives by labor service companies increased by almost 60,000 people over the previous year. In the same year 21.5 percent of those awaiting employment were placed. Besides placing those who transferred the previous year, 20 percent of those who just reached working age in that year were placed. More than 60 percent of those placed went to the collective and individual economic sectors. More than 40 percent were placed after undergoing various types of professional and technical training.

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CSO: 4006/958

BRIEFS

HAINAN-SINGAPORE AIR ROUTE--Hong Kong, April 23 (XINHUA)--An air service between Haikou, the capital city of Hainan Island in Guangdong Province, and Singapore will be officially inaugurated Saturday, it was announced here today. Under a contract signed with the Civil Aviation Administration of China [CAAC), a Hong Kong company will operate at least one return flight a month. The four-hour flight is expected to greatly facilitate the passage of travellers between the two places, which are directly linked only by sea at present; air passengers from Singapore at the moment have to change planes at Guangzhou, capital of Guangdong. [Text [Beijing XINHUA in English 1535 GMT 23 Apr 86 OW] /6662

HUAIHE HARNESSING--Beijing, 8 May (XINHUA)--China will invest 1.2 billion yuan on harnessing the Huaihe in the eastern part of China during 1986-1990 period, 6 times more than in the past 5 years. The river valley is populated by 130 million people, and produces 15 million tons of commodity grain a year--a quarter of the country's total. [Beijing XINHUA in English 1449 GMT 9 May 86 OW] /6662

INTERNATIONAL CONTAINER ROUTES--Beijing, 12 May (XINHUA)--The China Ocean Shipping Company has opened 17 international container shipping lines, reaching 33 ports in 19 countries and regions in Asia, Africa, Western Europe and North America. The company opened its first international line--to Australia--in 1978. Chinese ocean-going ships transported 320,000 standard containers or a total of 3 million tons of caro in 1985, according to company officials today. [Text] [Beijing XINHUA in English 1408 GMT 12 May 86 OW] /6662

TONGJIANG OPENED TO FOREIGN SHIPS--Harbin, May 20 (XINHUA)--After receiving State Council approval, Tongjiang Port in northeast China's Heilongjiang Province today was officially opened to foreign ships, according to provincial officials here. The port is located near the China-USSR border at the confluence of the Songhua and the Heilong rivers. Heilongjiang is one of China's major producers of grain and timber. The province is the largest producer of soybean, beet, and flax in China and is also a base for industry, energy, and chemicals. In 1985, the province exported 410 million U.S. dollars worth of commodities and signed 43 contracts totalling 82 million U.S. dollars with foreign businesses. Its total volume of border trade with the Soviet Union last year was more than 30 million Swiss francs. [Text] [Beijing XINHUA in English 1115 GMT 20 May 86 OW] /6662

CSO: 4020/329

FINANCE MINISTRY SAYS TRADE SURPLUS CONTINUES TO INCREASE

OW200459 Taipei CNA in English 0331 GMT 20 May 86

[Text] Taipei, May 19 (CNA)--The Republic of China's trade surplus in 1986 had accumulated to U.S. dlrs 4.6 billion as of May 10 due to the booming exports of the past few months, an official with the Finance Ministry said Monday.

The official, who preferred anonymity, said according to customs statistics, the nation's imports from Jan 1 to May 10 increased by 4.22 percent from the same period of last year to U.S. dlrs 7.8 million while exports increased by 15.52 percent to U.S. dlrs 12.4 billion.

The exports in April registered the highest monthly growth in the past few years due to the fluctuations of foreign exchange rates and the fall of international oil prices, the official said. Among various export categories, metal products, transportation facilities, plastics products, textiles, wooden products and machinery even set the highest monthly record in terms of their value in April, he said.

Thanks to the booming exports, the nation's exports in April also showed an increase of 3.4 percent as compared with the same month of last year, he added.

Meantime, Economics Minister Lee Ta-hai said that the government is studying the possibility of allowing the people in this nation to buy stocks of renowned foreign companies through several monetary organizations designated by the government to alleviate the pressure incurred by the nation's excessive foreign exchange reserves which has hit U.S. dlrs 2.6 billion in May.

Lee, worried that the excessive foreign exchange reserves will constitute a great pressure to induce inflation in this nation, has ordered concerned agencies to study ways of encouraging the private sector and state-run enterprises to increase their investments in other countries.

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CSO: 4020/330

COMMENTARY VIEWS RISING U.S. TRADE PROTECTIONISM

OW051125 Taipei Domestic Service in Mandarin 2300 GMT 2 May 86

[Station commentary: "Pay Attention to Protectionist Tide in U.S. Congress"]

[Text] In the past year or so, U.S. industrialists and businessmen have, through Congress, been pressuring the executive branch to formulate protectionist policies, thus worrying many of the countries trading with the United States. The Republic of China is one of them. Year after year our country has increased its exports to the United States, and so has our favorable balance of trade. As a result, our country has become one of the major targets the U.S. protectionist tide is pounding at.

Nearly 300 protectionist bills are under discussion in the U.S. Congress. Using its preferential tariff toward us as a bargaining chip, the United States has been asking our country to increasingly open up its market and reduce its tariffs, and has even announced that it will investigate the ratio between the foreign and domestic sales of automobiles made in our country [words indistinct].

A few days ago, the U.S. House of Representatives Appropriations Committee adopted a revised comprehensive trade bill. All those who voted for the bill were Democrats. Simply put, the revised bill requires the U.S. International Trade Commission to negotiate with countries having a favorable balance of trade with the United States 4 months after unfair conduct is discovered on the part of such countries. The bill also requires that in the 4 years beginning 1987, the favorable balance of these countries of as 1985 will be reduced by 10 percent a year. If no agreement can be reached through negotiations, the U.S. President will have to (?suspend the trade agreements with those countries).

This would be an extreme kind of action by a government. Considering the criteria set in the bill and actual conditions in 1985, they would be applicable only to Japan, the Republic of China, and West Germany.

U.S. President Reagan is currently attending a meeting with ASEAN foreign ministers in Bali, Indonesia. His initial reaction to this bill is that he would spare no efforts to resist protectionist measures restricting world trade. He stated that it would indeed be a disaster if international trade was reduced by a big margin. U.S. public opinion predicts that even if the House of Representatives adopted the bill, Reagan would certainly veto it.

We have the following views regarding the rising trend of protectionism in the United States: First, our country has a favorable balance of trade with the United States after opening up our market to imports, reducing tariffs, and making many other similar efforts. We have done and are doing what we should do in this regard. U.S. cigarettes and alcoholic beverage will (?being to be exported) to Taiwan in August this year, and the fourth round of Sino-U.S. tariff talks is scheduled for July. These are cases in point. Meanwhile, most of our exports to the United States are articles for daily use; they are low-priced but of good quality. They are very conductive to reducing the American consumers' burdens. It is necessary to give wide publicity to such facts so as to make them known to large numbers of American people. At the same time, we should make them understand that we are opposed to any (?protectionist measures) in trade.

Second, it is necessary to make positive representations with the United States in this regard. It should be pointed out that the revised bill runs counter to the spirit of free and fair trade embodied in the U.S. Import Act of 1986 [words indistinct]. It is hoped that the U.S. Congress will not adopt the revised bill and that the U.S. Government will not implement it, because the bill will harm other countries and will not benefit the United States.

Third, by means of our trade relations with West Germany and Japan, we should express the hope to them that at the forthcoming summit conference in Tokyo they would raise the question of opposition to protectionism for discussion in order to expand free international trade and make U.S. trade policy stay on the right track.

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CSO: 4020/330

TAIWAN

APRIL EXPORTS REACH SINGLE-MONTH RECORD

OW080349 Taipei CNA in English 0320 GMT 8 May 86

[Text] Taipei, May 7 (CNA)--The exports of the Republic of China in April reached a new single-month high of U.S. $3.15 billion worth. The figure represents an increase of 17.3 percent as compared with the same month of last year.

According to statistics released by the Directorate General of Budget, Accounting and Statistics, the two-way trade of the nation in the first 4 months totaled U.S. $18.79 billion worth, up 13.2 percent over the like period of 1985.

While exports of the January-April period amounted to U.S. $11.52 billion, up 18 percent, the imports in the period summed up to U.S. $7.27 billion, up 6.4 percent. The trade surplus, therefore, accumulated to U.S. $4.25 billion, the statistics show.

In the single month of April, the nation's exports amounted to U.S. $3.15 billion while the imports totaled U.S. $1.94 billion, up 17.3 and 3.4 percent respectively over the same month of last year.

The United States continued to be the nation's largest market in the first 4 months, having absorbed 47.8 percent of the ROC's total exports with U.S. $5.5 billion worth, followed by Japan, U.S. $1.3 billion or 11.3 percent, and Hong Kong, U.S. $790 million or 6.9 percent.

As to imports, Japan kept its role as the nation's main supplier with U.S. $2.21 billion worth of transactions with the ROC, or 30.4 percent of the ROC's total imports in the period. The United States followed with U.S. $1.64 billion, or 22.6 percent; Saudi Arabia stood third with U.S. $390 billion, or 5.4 percent.

Industrial products occupied 93.9 percent of the nation's total exports with U.S. $10.82 billion worth. Processed farming products totaled U.S. $530 million, or 4.7 percent and crude farming products, U.S. $160 million or 1.4 percent.

Capital goods totaling U.S. $1.8 billion worth, taking a 24.7 percent share in the nation's imports. Raw materials for agricultural and industrial use occupied 66.4 percent, or U.S. $4.82 billion consumer goods occupied 6.9 percent, or U.S. $640 million.

Meantime, the statistics show that the nation's efforts in diversifying its overseas markets have achieved notable results. The exports in the first 4 months to Europe totaled U.S. $1.29 billion, a sharp increase of 31 percent over the same period last year. The exports to Central America reached U.S. $1.8 billion worth and to South America U.S. $620 million, up 45 percent and 41.1 percent respectively.

West Germany is the largest market of the ROC in Europe. The ROC exported U.S. $349 million worth of goods to that nation in the January-April period, up 34 percent as compared with the same period in 1985. England followed with U.S. $230 million, up 19.3 percent. The Netherlands was the ROC's third trade partner in Europe in terms of exports with U.S. $180 million worth, a 19.5 percent rise over a year before.

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CSO: 4020/326

ECONOMIC TALKS WITH SAUDI ARABIA CONCLUDED

OW051151 Taipei CHINA POST in English 3 May 86 p 12

[Text] The Republic of China [ROC] will expand agricultural, industrial, medical and other assistance to Saudi Arabia as part of closer cooperative relations following the conclusion of the 2-day 9th session of the Sino-Saudi Arabia Permanent Joint Committee on Economic and Technical Cooperation in Taipei.

At the closing meeting yesterday, Minister of Economic Affairs Lee Ta-hai and his Saudi counterpart Minister Muhammad Aba al-Khayl, signed the minutes of the meeting. Both in their speeches, expressed satisfaction with the success of the meeting and the agreements reached.

Yesterday's meeting concerned reports on financial and technical cooperation, science and technology, trade, industry and electricity. The conclusions will be submitted to the authorities for implementation.

The main points of the minutes are:

Agriculture: The ROC will assist the Saudis to develop the southeastern mountains of the kingdom and dispatch specialists to develop orange groves and marine and fishery programs.

Printing Technology: Saudi Arabia will select 16 technicains for training here.

Communications: The ROC will add to computer and communications personnel already in Saudi Arabia but asked that their salaries be raised. The Saudi hope that the ROC will help them build surveillance and control systems on freeways.

Medical Programs: Saudi Arabia asked for Chinese specialists in bio-medical science and medical information managers as well as other related personnel. The two delegations signed a memorandum of understanding on medical cooperation.

Science and Technology: The two nations will jointly develop software for Arabic language computers and the development of solar energy and expand marine product research along with the existing program on freshwater fish.

Financial Cooperation: Saudi Arabia agreed to revise, if necessary, the loan agreement on the Taipei underground project.

Industry: Saudi Arabia agreed to provide needed liquified ammonia and petrochemicals.

Trade: The two nations will increase exchange visits and exhibitions, step up trade cooperation and measures to prevent counterfeiting and commercial disputes.

The next meeting of the Joint Committee will be held in Saudi Arabia but the date will be decided later.

The Saudi delegates left Taipei yesterday.

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CSO: 4020/326

GOVERNMENT TAKES STEPS TO REDUCE FOREIGN RESERVES

OW091201 Taipei CNA in English 1006 GMT 9 May 86

[Text] Taipei, May 9 (CNA)--The Republic of China's foreign exchange reserves have been soaring at a monthly rate of U.S. $1 billion since the beginning of this year. As a result, assets held by the Central Bank of China snowballed from U.S. $23 billion last December to U.S. $26 billion by the end of March.

According to the International Monetary Fund, the ideal amount of a nation's foreign exchange reserves is the equivalent of 3 months of its imports. By this standard, the ROC has far more reserves of foreign exchange than it is able to digest. The ideal amount would be U.S. $6 billion.

With the nation's export trade on a strong upswing, the for-ex reserves are expected to continue rising at a brisk pace for the remainder of the year. Monetary officials figures that by the end of this year, the ROC may overtake Japan in the amount of its foreign reserve holdings. Japan currently has U.S. $30 billion. Before the year runs out, the ROC may have as much as U.S. $35 billion.

A big foreign exchange surplus is not necessarily a boon, says Miss Ching Hsiu-lien, a specialist with the Council for Economic Planning and Development. For one thing, she says, it may push commodity prices up because of the bloated money supply.

Domestic money supply has been on the rise steadily in the past 3 months, an increase of 14 percent in January, 17.3 percent in February, and 21.2 percent in March.

Chang said in an interview that an excessive money supply is one of the causes that prompt prices to go up, but not the only one. There are still other factors at work. It is usually the interaction of these factors that trigger an inflationary spiral. The effect of an excessive money supply will be felt after a 6-month to 1-year lag.

Chang attributes the large accumulation of for-ex reserves partly to the long-time government control over foreign exchange operations. Another major reason is the nation's ever-widening trade surplus. The nation's exports have grown faster than imports in the past years. In 1985, exports rose by 1.7 percent to

U.S. $31 billion while imports dropped by 9.1 percent to U.S. $20 billion. The resulting trade surplus was U.S. $11 billion, representing a 29.5 percent increase over the 1984 level. In the first quarter of this year, exports zoomed by a hefty 18.3 percent to U.S. $8.38 billion whereas imports picked up 7.5 percent to U.S. $5.33 billion, leaving a favorable balance of U.S. $3.05 billion.

Chang points out that the best way to whittle down the overabundant foreign exchange assets is to encourage more imports and more investment abroad.

Recognizing the potential adverse effect of the huge foreign exchange accumulation, the government has taken vigorous steps to shed off the excessive fat and ease the pressure on the money supply and movement toward inflation. First of all, the government has recently opened the doors to large-scale investment in foreign capital markets. Local financial institutions, corporations and individuals are now allowed to buy foreign government securities or foreign-bank time deposits through the Central Trust of China, Bank of Taiwan and International Commercial Bank of China. To further facilitate such outward investments, the government plans to designate several other banks to join in the operation in the near future.

Moreover, the government has revised the Foreign Exchange Control Act to allow a freer operation of foreign exchange assets. In the past, the base criterion used for determining each company's for-ex settlements was its export/import permits. But under the new rules, such settlements will be determined according to each firm's reported trade records. The revision was already approved by the legislative yuan last week.

The government also has raised the foreign exchange allowance for outgoing travellers several times in the past over year. Outbound tourists now can take more money along. Those who will leave as tourists may apply for a daily foreign exchange allowance in the amount of U.S. $200 for upward to 3 months, depending on the actual duration of travel. The daily for-ex allowance for those who leave for a foreign country on business, for employment, study, or for visiting relatives is raised to U.S. $300, in addition to a "pocket money" allowance in the amount of U.S. $3,000.

As for the encouragement of imports, the government has taken a number of strong steps in the past few years. Many items are now duty free and the highest tariff rates for those dutiable articles have been cut to 67.5 percent. Moreover, the government cut back interest rates four times last year to encourage private firms to borrow more from the banks to finance their expansion or renovation plans. As a result, bank interest rates in the country dropped to a record low since the end of World War II.

In a recent report to the Finance Committee under the Legislative Yuan, Governor Chang Chi-cheng of the Central Bank of China said his bank is willing to work out a comprehensive plan with other government agencies on how to make good use of the nation's rich for-ex reserves. Chang pledged that CBC is making the funds available to the business and industrial sectors to help pay off imports and for foreign exchange loans. He revealed that Taiwan Power Co is preparing to repay its loans to foreign banking institutions through lending from the Central Bank to save expenses in interests.

Chang continued that the Central Bank will use as much of the for-ex reserves as possible on construction projects that will benefit the public. "New investment projects, as long as they have been approved by the government, will have full financial support from the Central Bank," he said.

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CSO: 4020/326

BANK GOVERNOR COMMENTS ON FOREIGN INVESTMENT PLANS

OW140343 Taipei CNA in English 0319 GMT 14 May 86

[Text] Taipei, May 14 (CNA)--The government is scheduled to allow high-tech firms invested in by foreigners and overseas Chinese to deduct several remittances directly from their for-ex accounts this coming August, according to Chang Chi-cheng, governor of the Central Bank of China (CBC).

The reform is aimed at stimulating investments by foreign nationals and overseas Chinese, especially in the high-tech industry because it is considered vital to the nation's future economic development.

Remittances which will be deductable from for-ex accounts are listed as follows:

--Approved expenditures on imported commodities;

--expenditures for studying abroad, travelling, visiting, or mediation abroad;

--remittances of paid-in capital for investment here and the capital earnings entailed;

--approved foreign loans and investments;

--approved capital and interest remittances for foreign loans;

--and royalties from technical cooperation projects.

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CSO: 4020/326

COMMENTARY WELCOMES DIRECT FOREIGN INVESTMENT

OW210611 Taipei International Service in English 0200 GMT 21 May 86

[Station commentary]

[Text] Two recent developments with respect to foreign direct investment in Free China are worth noting. First, the Legislative Yuan has revised a statute relaxing restrictions on foreign investments in Taiwan of the Republic of China [ROC]. The fields in which foreigners are allowed to invest or commence business operations have been broadened to include more service industries and provision has been made for the entire amount of business profits made by the foreign enterprises, after one year of operations, to be remitted back to their home countries.

Second, it is reported that the Ministry of Economic Affairs is considering changing the ground rules with respect to the areas of investment open to foreigners. Up to now, foreigners have been allowed to invest only in certain specified industries; they cannot apply for permission to invest in industries which are not on the list. Now, the Ministry of Economic Affairs is considering reversing the rule so that the fields in which foreigners are not allowed to make investments will be specified and listed, implying that more industries will be opened up to foreign investment.

It is still too early to tell what all this means in practical terms. It is fair to say, though, that the Government of the Republic of China does want to liberalize the restrictions now imposed on foreign direct investment.

According to the press, this move of the ROC Government has been met with support from the public. In their view, foreign direct investments have been a positive force in Taiwan's economic success and will continue to have an important contribution to make in upgrading Free China's economy in the future.

To be sure, foreign direct investment has never constituted a large proportion of total domestic private capital formation in Taiwan, averaging only a little over 5 percent in the 1960's and less than 3 percent in the 1970's. But these averages hide the fact that foreign-owned enterprises have played a dominant or significant role in terms of their share of total employment or production in certain industries such as electronics and electrical appliances, chemicals, and garments and footwear.

What is more important is that foreign enterprises by and large have applied foreign technology in their production, and the Chinese-owned enterprises have learned such foreign technology from them. In other words, foreign enterprises have been effective agents for the transfer of technology. In the process of econmic upgrading, there is nothing more important than the continuous introduction and application of new technology.

Furthermore, foreign businessmen might have a perspective on behavior that is different from that of the Chinese businessmen, and thus foreign investment may serve as a stabilizing or diversifying force in Taiwan's economy. In the last couple of years, domestic investment was law, but the total amount of foreign direct investment approved by the Ministry of Economic Affairs increased. Their optimism on Taiwan's economy must have had a positive effect on Taiwan's economy. From all we can tell, there will be more and more foreign firms, especially from Japan and Europe, which will explore the possibilities of establishing branches in Taiwan, and they will be surely met with warm welcome.

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CSO: 4020/330

TOYOTA AFFILIATE TO PRODUCE CAR ELECTRIC PARTS

OW221041 Taipei CNA in English 1022 GMT 22 May 86

[Text] Tokyo, May 22 (CNA)--Nihon Denso K.D., a member of Japan's giant Toyota conglomerate, will set up a joint venture company with two Chinese manufacturers for production of car electric accessories in the Republic of China, an automobile industry source here said Thursday.

The Chinese companies are Taichuan Electric Engineering and Notai Motors.

Negotiations have been under way between Nihon Denso and the Chinese companies since early this year, the source said. A top Nihon Denso executive will visit Taiwan before the end of this month to conclude the negotiations on the joint venture, the source said.

When contacted by CNA, a Nihon Denso spokesman said an agreement on the joint venture will be reached after the negotiations are concluded.

In the final negotiations, Nihon Denso and its two Chinese partners will decide on the electric accessories to be produced, scope of production, plant site, capitalization, equaity shares and management and administration.

If everything goes well, Nihon Denso and its Chinese partners are expected to file an application with the Ministry of Economic Affairs in July for the establishment of the joint venture company, the source said. Production will start in 1988.

What has prompted Nihon Denso to start the joint venture is Toyota's equity participation in Kuo Jui. Nihon Denso provides Kuo Jui with car electric accessories.

Another factor leading to the Nihon Denso decision is the strong yen, which makes production in Japan too costly.

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CSO: 4020/330

BRIEFS

MARKETS DIVERSIFIED, EXPORTS BOOSTED--Taipei, May 21 (CNA)--The Republic of China's [ROC's] efforts to diversify its export markets has resulted in sharp increases of exports to Europe, Japan, Central America, and South America, Vincent Siew, director general of the Board of Foreign Trade [BOFT], said Wednesday. Speaking before the Economic Committee of the Legislative Yuan, Siew said that in the first four months of this year the ROC's export trade to Europe and Japan increased 31 percent and 18.5 percent respectively. The respective increases of exports to Central America and South America during the same period reached 45 percent and 41.1 percent. The ROC's exports to the Middle East rose 10.5 percent during the four-month period in spite of the fact that the economies in most countries in that region were suffering from declining oil prices, Siew said. He said the BOFT is trying to help domestic traders diversify their export markets due to the growing trade protectionism sentiment in the United States. The BOFT has taken steps to encourage domestic manufacturers and exporters to participate in trade fairs in Europe and help European importers to set up offices in Taipei, Siew said. An ROC trade mission is scheduled to visit Europe next month, he added. [Text] [Taipei CNA in English 0249 GMT 22 May 86 OW] /6662

INCREASED TRADE WITH EUROPE--Taipei, May 21 (CNA)--Sino-European bilateral trade amounted to U.S. dollar 2.22 billion from January to April this year, representing a growth of 24.5 percent over the same period a year ago. This marks the highest growth rate in six years, reported V. C. Siew, director general of the Board of Foreign Trade (BOFT). Siew attributed the growth to the appreciation of European currencies against the U.S. dollar, to which the Taiwan dollar is pegged. Thus, locally-made items became more competitive in the European market. He added that, with the exception of Greece, where there was no increased demand for Taiwan-made products, exports to the 17 nations in free Europe registered a marked increase. He pointed out that the appreciating yen also benefited Taiwan exports to Japan, and encouraged local manufacturers to take advantage of this opportunity to enter Japanese markets. [Text] [Taipei CNA in English 0326 GMT 21 May 86 OW] /6662

JAPANESE INVESTMENTS--Taipei, May 13 (CNA)--Japanese investments in the ROC [Republic of China] in the first quarter of this year totaled nt dollars 1.9 billion (U.S. $48.7 million), accounting for more than 50 percent of total foreign investments, officials of the Ministry of Economic Affairs reported Monday. The Japanese investments represented an increase of 241 percent compared with the amount registered in the same period last year. The officials described the increase in Japanese capital inflow as "very impressive." According to the ministry officials, the sharp evaluation of the Japanese yen has been unfavorable to Japanese exports, and, therefore, many Japanese investors have turned to the Republic of China for investment or venture projects. The nation's competitive foreign exchange rates, low labor costs, and skilled work force also contributed to the attraction of Japanese investments, the official explained. He said that besides the Toyota Motor Corp and Mitsubishi Industries, many Japanese firms in the ROC have applied for reinvestment projects, mostly in the chemical and electronic industries. [Text] [Taipei CNA in English 0954 GMT 13 May 86 OW] /8918

CSO: 4020/326

ECONOMY AFFECTED BY PRC FOREIGN EXCHANGE CONTROLS

HK241013 Hong Kong HONG KONG STANDARD in English 24 Apr 86 p 8

[Text] China's tightening foreign exchange controls and its cautious import-export plans this year are beginning to affect Hong Kong's economic performance, as shown in the provisional trade figures for March released by the government yesterday.

The Census and Statistics Department's comparative figures for Hong Kong's re-exports in the period from January to March this year showed a $1.47 billion or 5.8 percent decrease from re-exports in the same period of 1985.

Re-exports amounted to $24 billion this year against $25.47 billion last year in the same three-month period.

A government secretariat spokesman admitted that the decline in Honk Kong's re-exports probably reflected the effect of China's tightening control over its foreign exchange spending.

China's foreign exchange reserves stood at US$11.9 billion at the end of 1985, down from the 1985 third quarter reserve of $12.6 billion, and from $16.3 billion in September 1984, according to earlier XINHUA Agency reports.

Stringent measures taken by the Chinese Government have halted the falling trend of its foreign exchange reserves but Hong Kong, which made huge gains during China's import spending spree in 1984, could not escape from the adverse consequences.

Hong Kong's domestic exports, valued at $29,146 million in the first three months of 1986, on the other hand, showed a slight increase of $170 million (0.06 percent) over the same period last year.

The comparative figures for total exports in the same period were about $53.15 billion in 1986 and $54.45 billion in 1985, representing a drop of 2.4 percent this year.

While the visible trade balance showed a $449 million surplus in Hong Kong's favor in Jan-Mar 1985, there was a deficit of $2,521 million this year, because imports showed a growth of 3.1 percent this year over last year ($55.67 billion and $54 billion respectively).

For March 1986 alone, domestic exports figure was $10,269 million which was $1,839 million (22 percent) higher than in the same month last year.

March re-exports for 1986 at $8,566 million were $512 million (6 percent) lower than 1985.

Taking domestic exports and re-exports together, the value of total March exports at $18,835 million was 8 percent or $1,327 million [higher] than those of March 1985.

The value of March imports also fell marginally, by 0.2 percent or $32 million to $19,883 million. This narrowed Hong Kong's visible trade gap for March (that is, the part of the value of imports not covered by the value of total exports) down to 5.3 percent from 12.1 percent of March last year.

Putting the month's trade figures into context, the secretariat spokesman pointed out that the value of total exports for the 12 months ended March 1986 was $233,854 million, made up of domestic exports of $130,052 million and re-exports of $103,802 million.

Compared with the same period in 1985, he said the 1985 values of total exports and re-exports grew by 2 percent and 14 percent respectively, while the value of domestic exports fell by 6 percent.

Comparative figures of the first quarter performance of Hong Kong's re-exports in the two years showed a definite downward trend, not likely to be reversed unless China relaxes its foreign exchange controls again. However, Hong Kong's domestic exports fared a little better.

The secretariat spokesman said that the year-on-year increase in the value of domestic exports in the first quarter of 1986 meant a reversal of the declining trend seen in the last three quarters of 1985.

Sources in the manufacturing sector, however, would not predict any real upward trend for Hong Kong's domestic exports in view of the uncertainty over the impact of protectionism on Hong Kong's major export markets in the months ahead, amid keen competition in the Asia-Pacific region.

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CSO: 4020/311

POLITICAL SIGNIFICANCE OF GATT MOVE 'ENORMOUS'

HK250557 Hong Kong SOUTH CHINA POST in English 25 Apr 86 p 1

[Text] Hong Kong took another step from under Britain's umbrella yesterday when it became a contracting party to the General Agreement on Tariffs and Trade and the Multi-Fibre Arrangement [MFA].

Although the political significance of the move is enormous, practically, it means little to the way Hong Kong handles its commercial affairs.

Until yesterday, Hong Kong was part of GATT through its colonial ties to Britain.

Hong Kong's graduation had been expected for more than a month and follows declarations made by Britain and China to GATT Director-General Mr Arthur Dunkel in Geneva.

Other GATT members had also been quietly canvassed by Britain to make sure there would be no objections.

Under the joint declaration on Hong Kong's future, both Britain and China had agreed to work towards ensuring the Special Administrative Region's [SAR] participation in GATT and the Multi-Fibre Arrangement.

The British declaration said: "Hong Kong possesses full autonomy in the conduct of its external commercial relations and of the other matters provided for in the agreement."

The Chinese declaration made it clear that after July 1, 1997, the Hong Kong SAR will commune to be a contracting party to the agreement.

China itself is not a GATT member, having withdrawn after the communists gained power in Beijing.

It has, however, said it wants to rejoin.

Developing a framework for Hong Kong's independence from Britain under GATT was one of the major accomplishments of the third meeting of the Joint Liaison Group.

After July 1, 1977, the Chinese declaration said the Hong Kong SAR "will decide its economic trade policies on its own and may on its own, using the name 'Hong Kong, China,' maintain and develop relations and conclude and implement agreements with states, regions and relevant international organisations in economic, trade and other fields."

Following the announcement, the secretary for Trade and Industry, Mr Eric Ho, said Hong Kong has for years "been playing an autonomous role in GATT and the MFA" from within the British delegation.

"There will be little variation of substance in future," Mr Ho said.

It also means Hong Kong will now have to start paying its own way.

Hong Kong's share of the annual GATT budget, which had been borne by Britain, is likely to hit 900,000 Swiss francs (about HK$3.81 million) a year.

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CSO: 4020/311

DOLLAR FOREIGN CURRENCY DEPOSITS DECLINE IN MARCH

HK060729 Hong Kong SOUTH CHINA MORNING POST in English 6 May 86 BUSINESS NEWS p 1

[By BUSINESS NEWS Editor Jerry Norton]

[Text] Both Hong Kong dollar and foreign currency deposits declined in March, but the drop was more pronounced for the local unit.

Total money supply also fell, according to monetary statistics released yesterday by the government.

Loans and advances for visible trade finance were up, but other loans for use in Hong Kong were flat.

The figures showed the trend continuing in which foreign currency accounts represent an increasing proportion of total deposits in the territory, although the degree of change was much smaller in March than in February.

All Hong Kong dollar deposits fell by one percent in March from February, to $216.3 billion.

Seasonal factors influenced the change, the government release said.

All foreign currency deposits slipped by 0.1 of a percent, to $255.4 billion.

The changes put foreign currency at 54.1 percent of total deposits in March and local dollar accounts at 45.9 percent, against 53.9 percent and 46.1 percent, respectively, in February.

Total deposits, including both foreign and local currency, were off 0.6 percent to $471.7 billion.

Since March last year, when Hong Kong dollar deposits accounted for a majority of the total, they have increased by only 9.2 percent, compared with a 36.4 percent rise for foreign currency deposits.

The continued shift from the local unit to foreign currency has raised concern over whether there is a growing lack of faith in the Hong Kong dollar, and about its long-term future if the trend is not checked.

The weakening of the Hong Kong dollar relative to currencies other than the greenback has been blamed as one factor in the switching, as have less attractive interest rates for Hong Kong savings than those in other currencies.

Little can be done about the former factor as long as the link with the U.S. currency remains and the greenback stays soft.

Lower local interest rates have contributed to calls for an end to having rates set by the Hong Kong Association of Banks rather than left to market forces.

Lack of confidence in the political situation has also been cited as contributing to the trend.

Some observers, however, suggest the concern over the growth in foreign currency deposits is overdone.

Hong Kong and Shanghai Bank economists, for example, took the contention to task in their April Economic Report, arguing that the increase should be a "welcome development," showing Hong Kong's success as a financial center.

They suggested deposits in other centers are even more heavily weighted towards foreign currencies.

Regarding total money supply, the government statistics released yesterday showed it decreased in March compared with February by every definition.

The most narrow measure, M1, was down 2.7 percent, M2 was off 0.1 of a percent, and M3 slipped 0.5 of a percent.

M1 had also decreased in February, but the other two measures had shown gains.

Seasonal factors were again cited in the government's statement, including, in the case of M1, an decrease in legal tender notes and coins held by the public.

Total loans and advances extended by banks and deposit-taking companies registered a 1.5 percent increase in March from February, similar to gains in the previous two months.

The latest rise took the overall figure to $459.2 billion.

Loans denominated in Hong Kong dollars were up 0.7 of a percent, but those in foreign currencies rose 2.3 percent.

Loans to finance Hong Kong's visible trade showed a 2.4 percent rise to $31.9 billion.

Yesterday's report also included a quarterly analysis of loans and advances.

It showed healthy gains in the first quarter of this year in loans and advances to the manufacturing sector, up 7.4 percent from the previous quarter and 9.2 percent from the same quarter last year.

Compared with the same respective periods, the building, construction and properly development sector figures were down 5.3 percent and 18.8 percent.

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CSO: 4020/325

EVERBRIGHT DISCUSSES OBTAINING SHARE OF HONG KONG BANK

HK070231 Hong Kong HONG KONG STANDARD in English 7 May 86 BUSINESS STANDARD p 1

[By Eva To]

[Text] China Everbright Holdings Company, a mainland enterprise directly controlled by China's State Council, is seeking a 50 percent stake,worth about $114 million, in a small local bank.

The all-too-willing target is Hong Nin Bank, a family enterprise which has been looking around for a big brother.

The acquisition is being engineered through China Nanhai Oil Shenzhen Service Corporation (CNOSSC), 33.3 percent of which is held by Everbright.

The honorary chairman of CNOSSC is Everbright's chairman, Wang Guang-ying.

The two have already had a round of discussions.

Everbright's move underscores the desire of various China concerns to establish a foothold in Hong Kong's financial scene, now that China International Trust and Investment Corporation (CITIC) has shown the way by taking over Ka Wah Bank.

CITIC is also controlled by the State Council.

Informed sources said that though the discussions were initiated by Hong Nin Bank, CNOSSC is keen to establish a toehold in the local financial market.

A senior official of CNOSSC, who is directly involved in the discussion, told BUSINESS STANDARD yesterday from Shenzhen that the first round of talks was held in Hong Kong recently and that the second round will follow soon.

He said that although the size of the stake in Hong Nin has not been decided, CNOSSC would prefer 50 percent.

In 1984, shareholders fund in Hong Nin Bank stood at $227.9 million -- which means CNOSSC may have to spend $114 million in foreign exchange for the deal.

"As CNOSSC is still waiting for Hong Nin's 1985 results, which are expected to be out within two months, a decision before then is highly unlikely.

"And when the CNOSSC makes up its mind, it still has to get the approval of related financial authorities which include the country's central bank, People's Bank of China and the State Administration for Foreign Exchange Control," he said.

Set up in August 1984, the CNOSSC is a joint venture of three Chinese enterprises -- the China Everbright Holdings Company, the Shenzhen Special Economic Zone Development Corporation (SSEZDC) and the China Nanhai Oil Joint Service Corporation -- with each holding a one-third stake.

The SSEZDC is under the direct control of the Shenzhen municipal government. CNOSSC chairman, Luo Changren, is also an official of the municipal government.

An Everbright spokesman also confirmed that negotiations had taken place but stressed that Everbright was not directly involved.

He also said that the matter had not yet been raised with the CNOSSC board. He said Everbright has no direct presence in the financial field and any move in that direction will have to be approved by the country's State Council.

The Lee family, which controls the Hong Nin Bank, incorporated the bank in May 1922 as the Hong Nin Savings Bank. The paid up capital was negligible and was increased from $35 million in 1980 to $60 million in 1981, then again to the existing level of $100 million in 1982.

Current liabilities, which include customers' deposits and other items including provision for taxation, rose from 1980's $106.2 million (excluding provision for taxation) to $135.2 million in 1981, $363.5 million in 1982, and $605 million in 1983 and 1984.

But the bank's general reserve has continued to slide during this period, from $37 million in 1980. The reserves fell to $30 million in 1981, and to $10 million in 1982. It stood at $20 million in 1983 and 1984.

Post-tax profits have not been too attractive either. They plunged from $26.2 million in 1983 to $13.7 million in 1984. Profits in earlier years were $23 million ('80) $25 million ('81) and $21 million ('82).

Besides its headquarters in Central, the Hong Nin Bank only has four other outlets in the territory. Subsidiary companies include Hong Nin (Nominee), Hong Nin Finance and the Jersey Incorporated Hong Nin (Overseas).

Hong Nin (Overseas) has been incorporated for years but has not engaged in any trading.

The six-member board, headed by Lee Ping-chiu, is drawn exclusively from the Lee family.

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HONG KONG

PBOC: NO PROPOSALS RECEIVED ON HONG NIN BANK ACQUISITION

HK090427 Hong Kong SOUTH CHINA MORNING POST in English 9 May 86 BUSINESS NEWS p 1

[By Olivia Sin]

[Text] A senior official of Shenzhen branch of the People's Bank of China [PBOC] said yesterday the bank had not received any proposal from the two Shenzhen agencies said to be interested in acquiring Hong Nin Bank in Hong Kong.

Any Chinese state-owned corporation planning to buy a stake in a bank would first have to seek approval from PBOC, the country's central bank, he said.

The two agencies which have been mentioned in connection with Hong Nin are Nanhai Oil Shenzhen Development and Service Corp and Shenzhen Special Economic Zone [SEZ] Development Corp.

The PBOC official, who declined to be named, said he understood that the two corporations were studying the possibility of "investing" in Hong Nin Bank, but that no decision had yet been made.

he said the PBOC would arrange meetings with the two agencies to find our more about their plans.

Other sources said Nanhai Oil Shenzhen, which does not have a license to conduct currency and banking activities, wants to acquire Hong Nin through a finance company owned by the Shenzhen SEZ Development Corp.

The finance company, which is similar to a Hong Kong deposit-taking company, is restrict to operating in the special economic zone.

However, officials of the finance company yesterday denied any knowledge of a deal and said they had not contacted any Hong Nin executives.

The People's Bank official said the formal procedure for Chinese entities wishing to acquire a bank was to submit detailed financial feasibility studies to the PBOC for examination.

"We will then check the financial situation and the management structure of the target bank: he said, adding that the buyers' credentials and financial background would also come under scrutiny.

"We will not approve unless they meet our stringent requirements."

Some critics have challenged the financial strength and the management level of Nanhai Oil Shenzhen Co, which was set up in 1984 to develop a 38 sq km area in Nantou -- west of Shenshen -- into a logistics base for the South China Sea oil exploration program.

They said the company could not be compared with China International Trust and Investment Corp (CITIC), which has brought Ka Wah Bank. CITIC was managed by highly competent and well-qualified staff with direct support from the State Council, they said.

Nanhai Oil Shenzhen is owned equally by the China Everbright Holding Co, China Nanhai Oil Joint Services Corp and Shenzhen SEZ Development Co.

Sources said Nanhai Oil Shenzhen Co may have encountered difficulties in raising funds because of lackluster drilling results and housing and office surpluses, and may see a stake in Hong Nin Bank as making it easier to obtain funds in the future.

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CSO: 4020/325

AILING HONG KONG SHIPPING GROUP MEETS CREDITORS

OW161825 Beijing XINHUA in English 1744 GMT 16 May 86

[Text] Hong Kong, May 16 (XINHUA)--The Hong Kong-based Tung Shipping Group, one of the world's biggest shipping companies, today proposed to its creditors a coordinated restructuring plan to deal with its severe financial problem.

More than 250 people representing some 150 creditors from Hong Kong, Japan, the United States and Europe attended the briefing session.

The proposal suggested that the group, which at present consists of the publicly listed company Orient Overseas (Holdings) Ltd. (OOHL) and the Tung Private Group (TPG), be reorganized into two major entities, both focused on shipping.

One would be a New Container Group (NCG), which would be majority-owned by OOHL. The second would be the Tung Tankers and Bulkers Group (TTB), which would hold most of the tankers and bulk carriers in the group.

A new entity, the Tung Holdings Trust (THT), would own the common shares of TTB and up to 90 percent of the ordinary shares of OOHL.

Four consecutive years of depression in the world shipping industry coupled with an over-borrowed balance sheet has put the Tung Group into severe financial troubles.

The total debt of the Tung Group now amounts to 2.676 billion U.S. dollars, said John Guest of the Shearson Lehman Brothers Inc., financial adviser to the Tung Group. Of this, 1.431 billion dollars belongs to OOHL and 1.245 billion dollars to TPG.

The restructuring proposal recommends that full interest be paid on TPG and OOHL debt secured by the market value of their assets--the so-called senior debt--and that amortization begin in 1988.

The remainder--the undersecured and unsecured debt--would be treated equally, Guest said. They would be exchanged for interest bearing notes and for equity shares in the group.

Under the proposal, C.H. Tung, the present chairman of the Tung Group holding 12 percent shares of OOHL, would become voting trustee of the trust as well as the chief executive of the restructured group but would have no share holding in the group.

Concerning the 120 million dollar injection into the group by local magnate Fok Ying-tung announced in March this year, Guest said that Fok would invest 100 million dollars of equity in the new container business and 20 million dollars into a new company, Tung Buildings, established to accept the delivery of 12 new ships from Japan.

The creditors from Hong Kong, Japan, the United States and Europe are expected to discuss the complex proposal in the next few weeks, Guest said, hoping that the restructuring could be completed by mid-summer.

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CSO: 4020/329

GUANGZHOU TO FORM JOINT VENTURE FINANCE COMPANY

HK090445 Hong Kong SOUTH CHINA MORNING POST in English 9 May 86 BUSINESS NEWS p 3

[By Paul Sham]

[Text] Guangzhou International Trust and Investment Corp is to form a joint venture finance company with Yue Xiu Enterprises Ltd in Hong Kong.

Guangzhou International manager Leung Yundeh said yesterday the move was part of plans by the company to expand into overseas money markets.

Yue Xiu is the representative office in Hong Kong of Guangzhou City.

Mr Leung said it had recently been decided to increase Guangzhou International's registered capital from 100 million renminbi to 400 million (about HK $968 million) to strengthen its financial base.

The projected finance company in Hong Kong will handle security trading, foreign exchange transactions, and commercial loans.

Mr Leung said further discussions would take place soon between Guangzhou International (not to be confused with Guangdong ITIC) and Yue Xiu on the details of shareholdings and profit-sharing. Agreement in principle to co-operate in the venture had been reached.

A Yue Xiu spokesman said if the plan went ahead, the venture would represent a restructuring of the financial arm of Yue Xiu. Application had been made to the Hong Kong authorities early this year.

Initially, he added, Yue Xiu has planned the finance company as its own wholly-owned subsidiary.

Mr Leung said the venture was prompted by the lengthy application procedures faced by Chinese firms wanting to set up branches outside the country.

The joint venture with Yue Xiu would be regarded as just another subsidiary of the Hong Kong based company, thereby eliminating complicated paperwork in China.

Also included in Guangzhou International's expansion plans are trust investment for overseas Chinese, insurance, leasing, and management of funds denominated both in renminbi and foreign currencies.

The company is also planning to issue bonds in foreign countries to enlarge its financial base, said Mr Leung. In this it will be following the examples set by Fujian Province and Shanghai. A fact-finding team has been sent to Japan.

Guangzhou International is planning to raise U.S. $70 million this year from foreign sources, of which U.S. $40 million will be short-term borrowings.

Its role as guarantor for loans from foreign banks is expected to increase with the sums under guarantee reaching U.S. $200 million this year. The company guaranteed 11 projects in 1985.

Total profit this year is expected to amount to 12 million yuan, an increase of 7.6 percent over last year's figure.

Yue Xiu, meanwhile, is planning to set up branch offices in Los Angeles and Singapore, according to its spokesman.

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CSO: 4020/325

OFFICIAL NOTES INVESTORS' CONFIDENCE

OW242152 Beijing XINHUA in English 1638 GMT 24 Apr 86

[Text] Hong Kong, 24 April (XINHUA) -- A senior Hong Kong official said that the confidence of the private sector in maintaining their investment here continues to be forthcoming, the Hong Kong Government Information Services reported here today.

Addressing a meeting in San Francisco Wednesday, Deputy Chief Secretary Alan Scott said, "As a result of private investment, work on a 260 million U.S.-dollar expansion of our container port -- already the third, and expected to become the second, in the world -- began in 1985."

He went on to say, "A joint-venture project between Guangdong (Province) and Hong Kong's China Light and Power Company is under way for the construction of a nuclear power station 30 miles across the border."

When completed, the station will provide electricity for consumers in both Hong Kong and Guangdong into the next century, he told the meeting.

Private investors from Japan, the Chinese mainland and Great Britain, he said, will begin work later this year on a 390 million U.S.-dollar second road rail crossing under the harbor, linking Honk Kong Island with Kowloon.

The objective of the government here, he stressed, is a smooth transition for the territory in 1997, without social, economic or political dislocation.

China will resume its sovereignty over the whole of Hong Kong by 1997 under the Sino-British joint declaration.

The deputy chief secretary said, "The Hong Kong Government has been investing heavily, as always, in infrastructure, with long-term plans for transport, education, medical and social services."

Transport and communication links with China are being strengthened, he said, adding that road, rail and ferry services (which carried 15 million people to the Chinese mainland last year) are being improved.

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CSO: 4020/311

FINANCIAL SECRETARY COMMENTS ON DAYA BAY NUCLEAR PLANT

HK080411 Hong Kong SOUTH CHINA MORNING POST in English 8 May 86 p 1

[By Frank Choi]

[Text] The government will have to be open and prepared to make facts about the Daya Bay nuclear plant transparent, the financial secretary, Sir John Bremridge, told the Legislative Council yesterday.

Sir John said secrecy was a menace and the combination in the Soviet Union of secrecy and incompetence had done the world a disservice.

Replying to 13 supplementary questions originated by Miss Maria Tam's query on safety measures at Daya Bay, Sir John said: "There is widespread concern and governments everywhere must be prepared to explain the position clearly so there can be a proper degree of public reassurance."

He said: "Secrecy is absolutely out of the question.

"I think the Russians dropped a stone on their own feet in trying to preserve secrecy for the first week."

He said the Daya Bay site was closer to populated areas in China than to Hong Kong and there were more plants in the world much closer to populated centers than Daya Bay was to Hong Kong.

Sir John assured Unofficials of the Guangdong Nuclear Power Joint Venture Co would not skimp on safety measures even if the construction cost went up and construction time would not be cut if progress was not going as scheduled.

He said the government considered public education about the nuclear plant was important and a study was being conducted to outline an education strategy.

Radiation monitoring equipment should be in place by the end of the year, he said.

He said the Daya Bay plant would be governed by the best international safety standards in respect of design, manufacture, erection, commissioning and operation.

These standards had been incorporated in all contracts being placed by the joint venture company.

"The nuclear equipment and nuclear design for the plant are being obtained by the company from France to take the maximum possible benefit of the successful nuclear program there and in particular of the very high safety record of the French," Sir John said.

There are now more than 40 similar pressurized water reactors operating satisfactorily in France alone, the second largest nuclear power program in the world, and there were 160 of the reactors worldwide.

He said the Daya Bay design was totally different from the one at Chernobyl in the Ukraine.

In addition, the French equipment, supplier, Framatome and the French national utility, Electricite de France (EdF), had a supervising role to ensure that specified standards were met.

Sir John said apart from French safety standards that had been adopted for the project, applicable international and Chinese standards would also be observed.

"In addition, China has established its own national licensing authority (the National Nuclear Safety Authority directly responsible to the State Council) which has a cooperation agreement with the French licensing authority (the Central Service for the Safety of Nuclear Installations) regarding the use of French standards."

China's licensing authority told the company these standards would be the basis for its licensing of the Daya Bay plant.

Sir John said all possible safeguards for design and construction of the plant to the highest international standards have been taken.

Such safety standards would apply at all stages of the project during design, construction and operation.

He said according to China's licensing regulations there were several key stages of the construction where detailed safety analysis reports would have to be submitted to the Chinese licensing authority for approval.

The safety analysis reports would be prepared according to international forms and standards, with input from the French contractors involved and under the supervision of EdF.

Construction work could not continue until the licensing authority was satisfied the standards had been met.

"This will ensure, therefore, that internationally recognised safety standards will already be attained before the plant is put into operation," he said.

Sir John said the company was responsible for the application of safety standards during the operational stage, but under the terms of the joint venture contract, the operations manager and other members of the operations staff would be nominated by the Hong Kong Nuclear Investment Co (HKNIC).

He said: "This close operational link will enable HKNIC to know the operating status of the plant, including the unlikely event of any abnormal developments."

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CSO: 4020/325

HONG KONG

BRIEFS

HONG KONG UNDERWRITING GROUP--A 15-member underwriting group has been formed for the $250 million commercial paper issue planned by Guangdong Enterprise (Holdings) Ltd, the Chinese province's representative office in Hong Kong. A spokesman for the company said yesterday that the agreement will be signed within the next two weeks. Banking sources said the three-year program is being lead-managed by China Development Finance Co (Hong Kong) Ltd and Paribas Asia Ltd, each of which will subscribe $27.5 million to the facility. The other 13 participating banks and financial institutions, which will each subscribe $15 million, include Bank of East Asia, Barclays Bank, Bank of Tokyo, CCIC Finance Ltd, Kleinwort Benson (Hong Kong) Ltd, Nanyang Commercial Bank, BNP, and Wardley. The issue will be in denominations of 500,000 with maturities of one to three months, and is subject to an underwritten margin of one eighth percentage point above the Hong Kong interbank offered rate. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 9 May 96 BUSINESS NEWS p 3]

FIRST QUARTER TRADE INCREASES--Hong Kong, May 16 (XINHUA)--Hong Kong's total merchandise trade in the first quarter of this year was valued at 108,832 million Hong Kong dollars (about 13,952 million U.S. dollars), up 0.3 percent compared with the same period of last year, according to the territory's census and statistics department. On the same basis of comparison, domestic exports increased by one percent to 29,146 million H.K. collars (about 3,737 million U.S. dollars), while re-exports decreased by six percent to 24,005 million H.K. collars (about 3,078 million U.S. dollars), so that for total exports, the trade value decreased by two percent. Hong Kong's imports increased by three percent to 55,762 million H.K. dollars (about 7,137 million U.S. dollars). Comparing the first three months of 1986 with the same 1985 period, the statistics show that the value of Hong Kong's domestic exports to the United States increased by two percent, but the value of most commodities exported to the Chinese mainland decreased. Re-exports to the Chinese mainland decreased by 33 percent in value. The United States and the Chinese mainland are Hong Kong's two leading trading partners. [Text] [Beijing XINHUA in English 1015 GMT 16 May 86 OW] /6662

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END

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China Report

ECONOMIC AFFAIRS

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ECONOMIC PLANNING

BRIEFS

GUIZHOU INDUSTRY, AGRICULTURE BY 1990--Guiyang, 6 May (XINHUA)--Guizhou, an underdeveloped province in southwest China, will increase its gorss output value of industry and agriculture by 46.9 percent over the next five years, according to provincial officials. They said here today that the annual output value will reach 21.5 billion yuan by the year 1990. The focus of Guizhou's development in the next five years will be on agriculture, energy, communications, raw materials, production of consumer goods, and scientific research and personnel training, as well as economic and technical cooperation with other areas of China and foreign countries. The average annual increase of the province's gross output value of industry and agriculture in the past five years was 11.6 percent, "somewhat higher than the average national increase rate," they said. [Text] [Beijing XINHUA in English 1436 GMT 6 May 86 OW] /12913

CSO: 4020/333

ECONOMIC MANAGEMENT

FANG YI ON TRAINING NEEDS DURING JIANGXI VISIT

OW250621 Beijing XINHUA Domestic Service in Chinese 1513 GMT 24 Apr 86

[Article by RENMIN RIBAO reporter Zhao Xiangru and XINHUA reporter Li Xingmin]

[Text] Nanchang, 24 Apr (XINHUA)--On a recent inspection tour of the copper-producing base area of Dexing and the "Pottery Capital"--the city of Jingdezhen--Fang Yi, member of the Political Bureau of the CPC Central Committee and state councillor, pointed out: Our state must mainly rely on qualified people in order to flourish. We must adopt effective measures to train a group of qualified people and allow them to play a significant role.

After attending the ceremony for the completion of the Jiangxi Guixi Smeltery, Comrade Fang Yi, accompanied by Secretary Wan Shaofen of the Jiangxi Provincial CPC Committee, visited the Dexin Copper Mine and Jingdezhen City's ancient kiln, exhibition hall of earthenware and pottery and its five porcelain plants--the Renmin, Hongqi, Jianquo, Yishu and Diaosu plants--from 17 to 19 April to understand the situation in pottery production and in the training of qualified people. Comrade Fang Yi pointed out: Pottery was invented by China, and Jingdezhen's pottery is world famous. In order to help this form of our national art to flourish, efforts must be made to train qualified people. It is a project of vital and lasting importance. We must make enormous investments in training outstanding, qualified personnel. When people of the new generation are trained, there will be no lack of successors, and our nation will rapidly flourish and Jingdezhen's ceramics industry will definitely thrive.

Comrade Fang Yi emphatically pointed out: In the course of producing pottery, we must assimilate the advanced experience of foreign countries and improve the quality of the pottery products on a timely basis. He said: Jingdezhen pottery is well known in the world for its unique designs. However, we must not stand still and refuse to make progress. We must learn from the advances of foreign countries. By bringing into full play the fine traditions of our nation and assimilating the advanced experience abroad, we will definitely be able to stand in the forefront of the world.

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CSO: 4006/1004

ECONOMIC MANAGEMENT

JIANGXI LEADERS ATTEND MEETING ON REFORM

OW271730 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 25 Apr 86

[Excerpts] Jiang Zhuping, member of the Standing Committee of the Provincial CPC Committee and vice governor of Jiangxi, stressed at the Provincial Meeting on Urban Economic Restructure Work today: The general task of urban economic restructure in our province this year is: assimilate and supplement the reform measures which have been started; consolidate and develop the reform achievements already made; vertically, continue to simplify the administrative setups and allow lower units to have more decisionmaking power; horizontally, promote economic ties; microeconomically, do a good job in supplementary reforms and, macroeconomically, exercise more control and regulation in order to constantly invigorate enterprises and give full play to their role in the urban economy; and pay great attention to making the scheduled reforms in selected fields a success to pave the way for reforms at a comparatively faster pace in 1987 and 1988.

Jiang Zhuping called on all prefectures, cities, departments, and enterprises to enforce and intensify reforms in six aspects:

1. Make further efforts to invigorate enterprises, in particular, large and medium-sized enterprises as well as enterprises producing export goods to earn foreign exchange. Jiang Zhuping said: Invigoration of enterprises is the central link of urban economic restructure. All departments must continue to implement the State Council's 10-point instruction on expanding lower units' decisionmaking power, the 10-point instruction on promoting technical progress, and the 14-point instruction on invigorating large and medium-sized enterprises, and both 10-point instructions issued by the Provincial CPC Committee and government on invigorating enterprises, as well as the supplemental regulations on ensuring enterprises' decisionmaking power.

2. Greatly promote horizontal economic ties.

3. Open up more types of markets and make great efforts to improve commodity circulation.

4. Consolidate and assimilate the price reform measures that already have taken place and improve the methods to award wage [word indistinct] in enterprises.

5. Strengthen and improve macroeconomic control to ensure economic development and the smooth progress of reforms.

6. Do a good job in conducting exploratory reforms in selected fields to pave the way for reforms at a quicker pace in 1987 and 1988.

The Provincial Meeting on Urban Economic Restructure Work began today in Nanchang. Leading comrades Liu Fangren, Ni Xiance, Wang Baotian, Liu Junhou, Wang Shufeng, Sun Xinyue, and Liu Jianhua attended the meeting.

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CSO: 4006/1004

ECONOMIC MANAGEMENT

JOURNAL VIEWS PRESENT ECONOMIC PROBLEMS

HK281605 Beijing BAN YUE TAN in Chinese No 7, 10 Apr 86 pp 16-18

[Article by Xue Zhongxin [5641 0022 2450]: "Why Is it Necessary to Implement the Principle of 'Consolidation, Digestion, Replenishment and Improvement?'"]

[Text] The major task for reform of the economic structure this year is to "consolidate, digest, replenish and improve" the reform measures we have already adopted, and to make preparations for further reform in years to come.

In referring to consolidation, we mean that we should consolidate what we have achieved in the reforms in the past few years, adhere to the orientation of carrying out reform, and strengthen our confidence and resolve in carrying out reform. In speaking of digestion, we mean that we should, in light of the financial capabilities of the state, improve the reform measures we have already adopted in the price and wage systems, and come up with solutions to new problems. In saying replenishment, we mean that we should cement and solder some imperfect links in the reforms so that a whole range of reforms will be carried out in a coordinated manner. In talking about improvement, we mean that we should strengthen and improve overall economic control, exercise tight control over the scale of investment in fixed assets and credit so as to gain a new level and new experiences in the work.

This is a correct principle formulated in line with the present situation in our country.

At present, our country is undergoing a great change, moving from a somewhat closed condition to a condition of opening up to the world on an unprecedented scale, and turning the extensive self-sufficient natural economy into a planned commodity economy. We have launched an all-round reform in all spheres of economic and social life. This reform is making an extremely deep and extensive impact on the previous rigid economic structure, conventional ideas and people's interest relations. Establishing a socialist economic system with Chinese characteristics is a pioneering undertaking. We have no ready-made formula to follow, but have to explore new possibilities and sum up new experiences with ceaseless efforts by integrating the basic tenets of Marxism with the actual situation in China. For this reason, all our reform measures should undergo a process of exploring new possibilities and being subjected to practical tests, and should be progressively improved and replenished. On the other hand, people are allowed to adapt themselves to, and come to a correct understanding of, the reform step by step, and in particular, the reform measures that affect the vital interests of the people. This means that the economic restructuring undergoes a gradual process. We must have a correct understanding of its complex and difficult nature and must not seek quick results. Haste does not bring success, but brings more difficulties and setbacks. We must therefore look carefully before taking each step and promptly consolidate, digest, replenish and improve the reform measures we have already adopted so as to lay a solid foundation for expediting reform in the years to come.

As our present situation in economic restructuring and economic development shows, this year's reform should be designed to follow the principle of "consolidation, digestion, replenishment and improvement." Over the past few years, we have adopted a number of reform measures such as extending the decisionmaking power of enterprises in management, the establishment of various forms of the economic responsibility systems in enterprises, the introduction of the system of the director assuming full responsibility, and the implementation of the policy of opening to the world and reinvigorating the domestic economy and carried out reform in the financial, tax, price and wage systems. However, at present our country is still undergoing a period of superseding the old economic structure with the new. The new economic structure has not yet been completely built and is not yet perfect enough, and the old one still works. The reform, in general, has meant significant progress, but the emergence of new problems is unavoidable. For example, in the course of carrying out reform, we laid undue stress on stimulation of production and increase of supply, but neglected the fact that reform would also promote an increase in general demand. From the fourth quarter of 1984, our economy began to show some destabilizing factors, such as the excessively high growth rate of industrial production, the overly large scale of investment in capital construction, and the sharp increase in consumption funds. The result was a grave imbalance between demand and supply. The party Central Committee and the State Council quickly discovered the problem and took a number of macroeconomic control measures to deal with it. Thereafter, inflation of demand was controlled somewhat, but demand still outstripped supply. Destabilizing factors emerging in the national economy have not been completely eliminated. In the course of strengthening overall economic control, we "imposed uniformity" on some aspects, and some reform measures were not faithfully executed. Therefore, we must quickly discover problems and conditions arising from economic activities, sum up experiences at the right time and take timely measures to deal with them. We must eliminate the bad and play up the good from reform measures already taken, and replenish and improve them step by step.

In implementing the principle of "consolidation, digestion, replenishment and improvement," what in particular should we do?

First of all, we must enforce and improve all reform measures already adopted for invigorating enterprises, and in particular, large and medium-sized key enterprises. We must continue to carry out a number of policies formulated by the State Council to instill vitality into the enterprises. All power that ought to be delegated to enterprises should accordingly be given to them, and should not be curbed and diminished. Governments at all levels should make further efforts to streamline administration and institute decentralization, make a good job of overall planning, coordination, service and supervision, and put in order and consolidate administrative companies, and dissolve unnecessary intermediate links. Meanwhile, regulatory taxes should be gradually exempted and reduced on some enterprises. We must also raise the rate of depreciation, stop discriminatory apportioning of expenses, and lighten the burden on the enterprises. Measures to reform enterprise management should be carried out in depth. In addition, we should conduct successful experiments on the implementation of the system of the director assuming full responsibility and improve various forms of the economic responsibility system.

Second, we must enliven and expand the market and must exercise effective control over market prices. We must continue to expand the market for farm and sideline products, make further efforts to reform the vegetable purchase and marketing system, expand the wholesale market for vegetables and other nonstaples, and set up various forms of production-marketing combines. We must put commercial wholesale organizations in order; reorganize and consolidate trade centers and wholesale markets for industrial consumer goods and the means of production; turn state-owned small trading establishments and enterprises into collective or individual businesses gradually and in a planned way; and readjust tax policies accordingly. We must also promote production-marketing alliances among industrial and commercial enterprises, strengthen administrative control over all types of markets and prohibit all unauthorized dealings.

Third, we must consolidate and digest reform measures already adopted and maintain the basic stability of commodity prices as a whole. In 1985, we took a big step forward in the reform of our price system. The price reform has in general proceeded smoothly and properly and played a positive role in developing planned commodity production and enlivening the market. However, as we have been reforming prices, prices of some commodities have increased considerably. This year we will not adopt any major measures in price reform but will carry out limited price adjustments, raising the prices of some commodities while lowering those of others. Special attention must be paid to solving the problem of unduly high prices in big and medium-sized cities and effective measures must be adopted to stabilize the prices of vegetables and other nonstaples.

Fourth, we must continue to improve the wage reform introduced to government organizations and undertakings and the pay system that combines basic wages with bonuses used in industrial enterprises. In the second half of last year, the government introduced what is called the position wage system to its organizations and undertakings. The new system, which is still in its initial stages, cannot be said to be without defect, so this year we have to solve the outstanding problems that involve irrationality. Last year most of industrial enterprises adopted a new pay system combining basic wages with bonuses, while a few enterprises tried to implement the method of basing an enterprise's total payroll and bonuses on its economic performance and some other methods. This year we must concentrate on summing up experiences and solving the outstanding problems in an effort to improve the bonus-based basic wage system adopted last year so that it will be able to link closely with the economic responsibility system adopted in enterprises. Anyway, our wage system should no longer follow the practice of "eating from the same big pot." Meanwhile, we must adopt effective measures to gradually solve the problem of a yawning gap in income among people working in different enterprises.

Furthermore, we must further consolidate and develop the reform measures already adopted in the areas of foreign trade, finance and taxation. It is also necessary to strengthen and improve control of the macroeconomy. While using administrative methods, we must make better use of economic regulatory means such as banking and taxation as well as legal means so as to ensure a sound, steady and balanced development of the national economy.

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CSO: 4006/1004

HEBEI OFFICIAL SPEAKS ON DEVELOPING COOPERATIVE ECONOMY

SK260901 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 13 Apr 86

[Text] At the rural work conference sponsored by the provincial CPC Committee, Yang Zejiang, chairman of the provincial Advisory Commission, delivered a speech on how to further implement Document No 1 of the central authorities and to promote a sustained, steady, and coordinated development of the rural economy.

In his speech, Comrade Yang Zejiang summed up the experiences gained in the previous stage of implementing the central authorities' Document No 1 of 1986, and set forth suggestions on the three major issues of this year's rural work: First, readjust the production structure in accordance with the needs of society in order to comprehensively promote this year's rural economy; second, enhance the construction of materials and technological foundations in order to stimulate agricultural development; and third, run a village-level cooperative economy.

He pointed out: As village-level work is the most basic work, whether or not we enliven the village-level economy is of importance to the overall development of the rural economy. Upon completion of rural party rectification, we should continue to grasp the infrastructural construction among the villages. While implementing the central authorities' Document No 1 of this year, we should pay attention to lightening the burden on the peasants, solving the problems concerning arbitrarily occupying farmland, and sorting out collectively owned property. Simultaneously, we should make efforts to achieve the construction in three fields, such as setting up a cooperative service system, running village-level enterprises, and enhancing agricultural capital construction.

Comrade Yang Zejiang stressed: Starting from improving service to develop and perfect the cooperative system is an important task of this year's rural work. The cooperative system is an inevitable result of rural commodity economic development as well as the only way for the rural areas to seek common wealth. After the implementation of the household output-related contract system, some cadres do not dare to talk about cooperation. One of the important reasons is that they fail to clearly understand the essence of the cooperative economy. They mistake cooperation for the system of everybody eating from the same big pot, and consider the cooperative system as conflicting with the household output-related contract system. This kind of thinking is wrong. The current cooperative system and the original collective economy are different in pattern. The pattern of the collective economy that was carried out before the implementation of the output-related contract system was that the income of the households participating in collective labor was distributed to them in a unified manner under the public ownership system; while the pattern of the current cooperative system is that coordinated associations are organized in line with the demands of commodity production and the will of the people and on the basis of safeguarding the contracts for household management and not violating the peasants' property and economic interests. Cooperation means service as well as coordinately developing the economy. Through cooperation, commodity producers will be able to solve the problems that they themselves are not able to solve, and we will be able to give full play to the advantages of the household output-related contract system.

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CSO: 4006/1004

SHANGHAI MUNICIPAL PEOPLE'S CONGRESS OPENS MEETING

Mayor Announces Economic Targets

OW252004 Beijing XINHUA in English 1636 GMT 25 Apr 86

[Text] Shanghai, 25 April (XINHUA) -- Shanghai's annual gross domestic product is expected to total 67.3 billion yuan by 1990, double the 1980 figure, major Jiang Zemin said today.

The GDP -- the total value of all production and services in China's biggest industrial city -- should rise at an annual average of 7.5 percent during the next 5 years, he told the annual session of the Municipal People's Congress which opened today.

This percentage growth is the same at that of China's gross national product as set in the Seventh 5-Year Plan (1986-1990).

Major targets listed in the city's draft 5-year plan include:

-- annual total industrial and agricultural output should be worth 118.6 billion yuan by 1990, an average yearly rise of 6 percent. This compares with the national average of 6.7 percent.

-- the city's net income from goods and services should total 57.2 billion yuan by then, an average annual increase of 6 percent, compared with a yearly rise of 6.7 percent in national income.

Jiang said: "Over the next 5 years, we will concentrate on modernizing and expanding 161 key enterprises."

Their products include textiles, foodstuffs, household electrical appliances, generating equipment and vehicles.

He continued: "Meanwhile, we will try to develop at least 2,500 new products for Chinese and foreign markets, and speed up development of high-technology industries."

Under the 5-year plan, Shanghai will spend 10 billion yuan on public facilities, the energy industry, communications and housing projects -- 65 percent more than in the 1981-1985 period.

New communications will include a new airport terminal, wharves, a railway station, a second tunnel under the Huangpu River and telephone switchboards with 600,000 new lines.

The city will also build 400,000 apartments with a total floor space of 22 million square meters, and install power generating units with a combined capacity of two million kilowatts.

Jiang added: "We aim to make 9-year compulsory education universal over the next 5 years."

More Foreign Exchange Sought

OW251954 Beijing XINHUA in English 1621 GMT 25 Apr 86

[Text] Shanghai, 25 April (XINHUA) -- The major industrial city of Shanghai will raise more foreign funds over the next 5 years to boost its modernization drive, Major Jiang Zemin said today.

The exact amount of the funds to be used will depend on the city's ability to earn foreign exchange through exports, he told the opening meeting of the fifth session of the eighth Shanghai Municipal People's Congress.

He said the money would be spent mainly on improving infrastructure, modernizing factories and boosting exports and services, including tourism and cultural facilities.

"We will be both active and cautious in raising foreign funds and take into consideration of the balance in foreign exchange and our ability to repay them," the mayor said.

Shanghai introduced 1.27 billion U.S. dollars worth of foreign funds during the past 5 years.

Jiang said the development of exports and tourism was an important means of boosting the city's foreign exchange income.

Annual exports earnings were expected to increase from 3.3 billion U.S. dollars last year to 4 billion dollars by 1990.

The city aimed to attract 1,600,000 overseas tourists in 1990, compared with 600,000 last year.

Mayor Jiang said the central government had recently approved the city's construction plan, which involved large-scale development in central urban areas and satellite towns.

Shanghai produces one ninth of China's total industrial output value and earns a sixth of its income.

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CSO: 4020/310

ECONOMIC MANAGEMENT

LIAONING GOVERNOR QUAN SHUREN ATTENDS ECONOMIC SEMINAR

SK260935 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 Apr 86

[Text] At a seminar on Liaoning Province's lateral economic cooperation which concluded in Jinzhou yesterday, Governor Quan Shuren pointed out: It is necessary to enhance our awareness of developing lateral economic cooperation, to eliminate ideological obstacles and misgivings, and to raise our perceptual knowledge to rational knowledge.

Quan Shuren said: Over the past few years, our province has greatly developed its lateral economic cooperation. However, we still lack an adequate understanding of the importance of such a new thing as lateral cooperation, which is mainly manifested in the following fields: Some departments and localities have proceeded with their work from partial and immediate interests and made it a rule that cooperation can only be established among enterprises of their own departments and localities. They have also restricted enterprises to develop cooperation with other localities and departments. Some large enterprises have feared that developing cooperation will create competitors and that some medium-sized and small enterprises will not be subject to their control after they become full-fledged or independent, thus imposing a mental burden on them. Some enterprises lack long-term viewpoints, seek no improvements, are satisfied with the present not-too-bad situation and lack a sense of urgency in developing cooperation. Some other enterprises have competed with one another to become the leader and have failed to get down from their high horses and to give up the thinking of posing themselves as the leaders. First, some small enterprises and township enterprises have considered establishing cooperation with other units as an expedient measure for tiding over an impending difficulty. Owing to their lack of sincerity in establishing long-term cooperation, they have even stopped their cooperation and retreated when the situation has improved. Second, they have worried that they might be changed from small but comprehensive enterprises into small units producing only a certain special kind of product and be swallowed by large enterprises and might lose their positions after they have established cooperation.

Governor Quan Shuren stressed and pointed out: Establishing lateral economic ties is necessary for developing the socialist commodity economy and for carrying out socialized large-scale production. Establishing lateral cooperation is an important task of strategic significance and is our orientation in the economic reform. We should encourage cooperation in terms of policies and safeguard it in terms of laws in order to achieve a greater development in our province's lateral [word garbled].

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CSO: 4006/1004

ECONOMIC MANAGEMENT

CONFERENCE BOOSTS DRIVE TO DEVELOP ISLAND ECONOMIES

HK070510 Beijing CHINA DAILY in English 7 May 86 p 1

[By staff reporter Guo Zhongshi]

[Text] A major drive to lift the country's numerous islands out of economic backwardness and poverty was given a further boost at a national conference that opened in Beijing yesterday.

The move is accompanied by an over-all plan to upgrade industry, agriculture, energy, transport and marine farming on China's more than 500 inhabitated islands except Taiwan. Most of these islands are located along the country's central and southern coast.

Tu Fengjun, director of the Bureau of Aquatic Products under the Ministry of Agriculture, Animal Husbandry and Fisheries, told the conference in a keynote speech that priority should be given to reclaiming 70,000 hectares of unexploited shallow sea so as to add 14,000 hectares of marine farms within five years, doubling the present area. "Then, marine farming alone will turn out 150,000 tons more seafood," he said.

Besides building up a diversified production of local delicacies, he urged islanders to set up township enterprises, especially ones involved with food, fodder, transport and marketing [to] back up the fishing industry.

Enterprises requiring low investment and energy input while providing fast economic returns should also be set up to offer more employment on the islands.

Tu said the policy encouraging individual businesses to work toward a common purpose would continue in a bid to develop a coordinated economy linking fishing, related industries and marketing.

China boasts rich fisheries and energy resources on its islands. However, most of these resources are underexploited because of the lack of advanced technology and investment, and poor transport facilities.

Only 14,000 hectares out of a possible 90,000 hectares of exploitable shallow sea areas are now being used as breeding farms, but management is inefficient and profits low.

Tu said most islanders were overfishing, which destroyed the ecological balance. Besides, the problems of transport, processing and marketing, which already hindered the development of the fish processing industry, were aggravated by the high cost of electricity and the lack of fresh water, he said.

The amount of seafood that rots because of inadequate refrigeration was estimated at about 200,000 tons a year, some 10 percent of the country's total seafood catch, according to an official from the China Society of Oceanology Studies.

The shortage of funds for investment was mainly caused by high costs in the fishing industry; a large fishing boat costs nearly 1 million yuan to build, he said. And then natural disasters can wipe out years of investment.

Tu said one typhoon last year destroyed some 300 boats in one Zhejiang Province county as there were no wind shelters.

Over the past 10 years, the bureau had invested some 100 million yuan (about $30 million) in the construction of ports, refrigerated warehouses, shipyards, electricity facilities and educational courses, he said.

Educational departments, Tu said, would step up training for fishermen, provide information and consultancy services to help build up the country's fishing strength.

Plans are also being drawn up to utilize energy resources such as wind, solar and biological energy.

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CSO: 4020/314

ECONOMIC MANAGEMENT

BAN YUE TAN ON REFORM, 7TH 5-YEAR PLAN

HK260406 Beijing BAN YUE TAN in Chinese No 7, 10 Apr 86 pp 4-6

[Commentator's article: "Striking Up a New Movement of Reform--Greeting the Successful Opening of the Fourth Session of the Sixth NPC"]

[Text] The spring of the Year of the Tiger arrived together with the waves of reform. With the sonorous singing of spring, the Fourth Session of the Sixth NPC opened in the atmosphere of victory in Beijing. The supreme organ of power of the state will finally approve the Seventh 5-Year Plan for our national economic and social development. This will unfold a new page in the annals of China's modernization process in modern times.

China in the eighties is the focus of world attention. The whole world is pricking up its ears to listen to China's march of reform, which is full of pride, confidence, courage, and passion. The splendor of reform shone in every step of process of fulfilling the Sixth 5-Year Plan that we have just completed. In the past 5 years, the achievements in the national economy enabled us to properly solve many difficulties and problems we could not solve for a long time in the past.

In the past 5 years, through reform, we have solved the problem of providing sufficient food and clothing for the people, an issue that could not be solved properly for many years, or even for many dynasties. The masses can now enjoy a happier life as they can eat their fill and wear better clothes. Most of the people have become better off.

In the past 5 years, through reform, the situation in which the markets were short of goods but full of ration coupons of all kinds and lines of shoppers has been resolved. At present, our markets are brisk, with business turnover increasing markedly. Economic activities are full of vigor.

In the past 5 years, through reform, we have basically overcome the serious disproportions between major sectors in the national economy, and have gradually rationalized the ratios between agriculture, light industry, and heavy industry and the relationships between production and livelihood and between accumulation and consumption. This has aroused the people's working enthusiasm.

Through reform, we have not only successfully fulfilled the Sixth 5-Year Plan, but have also made remarkable achievements that we did not expect when we began to carry out the Sixth 5-Year Plan.

Reform has emancipated the productive forces, has raised the living standards of the people, and has brought about an unprecedented dynamic situation in our modernization construction.

Our reform during the period of the Sixth 5-Year Plan has won an initial victory and we have played the overture in the Sixth 5-Year Plan. The movement of reform played in the Seventh 5-Year Plan will be more sonorous and majestic. The period of the Seventh 5-Year Plan will be a crucial period for us to change the economic structure from the old pattern to a new pattern, and advancing and deepening the reforms is the key to success in this regard. In the 100,000-character text of the Seventh 5-Year Plan, reform is placed in a leading position as the most important task among others, and the spirit of reform runs through the entire plan. The Seventh 5-Year Plan more clearly and fully specifies the tasks, objectives, steps, and measures of reform.

The reform blueprint outlined in the Seventh 5-Year Plan includes the following three major points:

First, continuing to strengthen the vigor of all enterprises, especially the large and medium-sized enterprises owned by the whole people, so as to really turn them into relatively independent economic entities which are socialist commodity producers and dealers with full decisionmaking power to operate their business and with sole responsibility for their profits and losses. So long as the millions of enterprises become dynamic in their economic activities, the overall economic situation in our country will certainly be brisk and prosperous.

Second, further developing socialist commodity markets and gradually perfecting the market system. The enlivening of commodity circulation will certainly give a great impetus to the development of the commodity economy.

Third, gradually shifting the main form of the state's management over enterprises from direct control to indirect control, and establishing a new socialist macroeconomic management system. This will enable our state to manage the economy in a more scientific and effective way which is better suited to the requirements of the development of the commodity economy.

By fulfilling the above-mentioned reform tasks, we will be able to establish a vigorous and dynamic socialist economic structure with Chinese characteristics.

The objectives are grand and the tasks are arduous. As Premier Zhao pointed out in his Government Work Report, "Reform is an extensive, profound, and protracted change on a large scale. It will produce an unprecedented impact on all established patterns, traditional concepts, and forces of habit." Therefore, it is conceivable that with its in-depth development, our reform will encounter various difficulties. There is an evolutionary process in the dying out of the old system and the birth of the new system. In the transition stage, the old and the new are bound to entwine and thus bring about a variety of complicated contradictions. When the new system has not become mature enough and the old system has lost part of its function, various loopholes may appear in the field of management. Some lawbreakers may take advantage of these loopholes; some people whose vested interests are affected may resist reforms; some people whose minds are still bound by ultraleftist and ossified ideas may be discontented with reforms; some people may misunderstand reform when they find that some reform measures cannot achieve expected results; and some people may have misgivings when they see individual errors appearing in the experiments of the new system...therefore, we should fully realize the arduousness and complicatedness of reform, and should earnestly help the people to understand reform. We must not be frightened out of our wits when seeing some problems in the course of reform and must not give up our reform efforts half way for fear of some slight risks and backtrack to the old path.

Reform must be advanced through explorations; experience can only be accumulated through practice; and victories can only be won through hard struggle. Reform is in line with the fundamental interests of most people in China. So long as we carry forward the pioneering spirit, cherish a realistic and scientific attitude, plan carefully, act prudently, correct errors promptly, readjust various interest relations properly, maintain close ties with the masses, and overcome bureaucratism, then we will reduce the obstructions to the minimum and arouse the initiative and enthusiasm of all people in our country to achieve our objectives.

There will also be pain and obstacles in a time of reform, but more importantly, reform will bring us hope and benefit, and will usher in China's major economic development.

Premier Zhao Ziyang profoundly predicted in his report to the NPC session: "Reform is not only of immediate significance, more importantly it is of significance in the economic development and prosperity in the nineties and in the fulfillment of the grand objective by the end of this century. It will have a decisive influence on our efforts to approach and catch up with the level of the world's advanced countries in the economic and technological fields in the first half of next century."

The new movement of reform has been played in the Great Hall of the People. The 1 billion Chinese people will be united more closely under the leadership of the CPC to make joint efforts for the successful fulfillment of the grand Seventh 5-Year Plan and for the motherland's rise and development.

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CSO: 4006/1004

ECONOMIC MANAGEMENT

QINGHAI PLANNING, FINANCE CHIEFS REPORT TO PEOPLE'S CONGRESS

HK250143 Xinjing Qinghai Provincial Service in Mandarin 2330 GMT 24 Apr 86

[Excerpts] The Fourth Session of the Sixth Provincial People's Congress held its third full gathering on the morning of 24 April. (Yang Shengjie), chairman of the provincial Planning Commission, gave a report on the execution of the province's 1985 plan for national economic and social development and the draft of the 1986 plan. (Wu Haiyan), director of the provincial finance department, reported on the final accounts for 1985 and the budget for 1986.

(Yang Shengjie) said in his report: Comparing 1985 with 1984, the province's total social output value rose by 18.1 percent, total industrial and agricultural output value rose by 16.7 percent, and national income rose by 14.6 percent. Gross domestic output increased by 18.8 percent. Local financial revenue increased by 40.1 percent. All these figures represented overfulfillment of the 1985 targets laid down in the Sixth 5-Year Plan.

(Yang Shengjie) said: The main tasks for 1986, the first year of the Seventh 5-Year Plan, are to continue to carry out reform of the economic structure, consolidate, digest, replenish, and perfect the reform measures that have already emerged, control the scale of investment in capital construction, readjust the investment structure, and strengthen agriculture, animal husbandry, and infrastructural industries such as energy. We must improve work regarding economic regulation, information, and forecasting, do a good job in macroeconomic control, strive to increase output of best-selling products, and promote exports and trade. We must do well in reforming the structures of science and technology and education. We must strive for a sounder output growth rate, a marked improvement in economic results, and continued betterment of living standards, and make an excellent start to the Seventh 5-Year Plan.

In his report, (Wu Haiyan) said that Qinghai's economic construction registered healthy development in 1985 in line with the goals set by the 3d Plenary Session of the 12th CPC Central Committee. We must do a good job in the following respects in 1986: 1) Consolidate, digest, replenish, and perfect the fruits of reform already achieved and further perfect the financial and taxation system. 2) Further invigorate the enterprises, especially the large and medium state-owned enterprises. 3) Get a good grasp of increasing income and economizing expenditure and ensure balanced budgets. 4) Persevere in building the two civilizations simultaneously, strengthen the building of the cadre force, improve leadership style and methods, and improve the standard of financial work.

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CSO: 4006/1004

ECONOMIC MANAGEMENT

PLANNING COMMISSION REPORTS ON PROGRESS OF KEY PROJECTS

OW300900 Beijing XINHUA in English 0802 GMT 30 Apr 86

[Text] Beijing, April 30 (XINHUA)--China spent 3.04 billion yuan on 190 key projects in the first three months of this year, according to the State Planning Commission.

The 190 schemes include 74 concerning energy, 39 transport and telecommunications, 36 raw materials industry and the rest involving science, education, culture, public health and defense.

Six major oilfields achieved a total drilling footage of 1,900,000 meters, beating the target for the first quarter.

Fifteen large coal mines being modernized and expanded have also beaten targets for the first quarter, tunneling 1,200 meters more than in the same three months last year.

Efforts are being made by the Ministry of Water Resources and Electric Power and other departments to put into operation this year power generating units with a total capacity of five million kilowatts.

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CSO: 4020/314

ECONOMIC MANAGEMENT

SHAANXI SUCCESS NOTED IN TAX INSPECTION, FINANCES, PRICES

HK050745 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 2 May 86

[Excerpts] The whole province scored marked achievements in the large-scale inspection of taxes, finances, and commodity prices. From July last year to the end of April this year, the whole province found violations of discipline which involved some 264.9 million yuan, discovered some 160 million yuan which should have been paid to the treasury, and found that some 127 million yuan had been paid to the treasury.

Through this large-scale inspection of taxes, finances, and commodity prices, the whole province discovered, investigated, and dealt with a large number of large and serious cases of violations of the economic law and conducted extensive education in the concepts of policies, the legal system, and the overall situation, promoting the building of spiritual civilization.

Through inspection, the problems discovered mainly included evasion of taxes; arrears of taxes; indiscriminate apportioning of costs; indiscriminate listing of charges; withholding and misappropriation of income which should have been paid to the state; making fraudulent and false applications and claims for state subsidies; turning what was covered by the budget to what was not covered by the budget; turning state property to collective property; turning collective property to individual property; pursuing private ends for small groups and individual capital and special fund for production of nonproductive purpose and so on. All kinds of companies, centers, and markets which had been set up over the past few years managed their finances chaotically, benefited themselves at public expense and seriously violated the law and discipline. Some indiscriminately raised prices, and apportioned charges, and engaged in illegal dealings. Some indiscriminately issued bonuses and goods and privately shared the state income. Some bought commodities, the purchase of which was under control, without approval. Some committed graft, theft, speculation, profiteering, and so on.

With a view to continuously and penetratingly carrying out the province's large-scale inspection of taxes, finances, and commodity prices, on 30 April, leading comrades of the provincial government listened to a report made by a responsible comrade from the office of the provincial large-scale inspection of taxes, finances, and commodity prices. He fully affirmed the achievements of this large-scale inspection, and emphatically pointed out: In future, we must regard the large-scale inspection of taxes, finaces, and commodity prices as long-term and regular work. To uphold the law and discipline, to promote the fundamental improvement of party style and the general mood of society, and to guarantee the smooth progress of economic structure reform, the provincial government has decided that large-scale inspection leadership groups and offices at all levels should not be abolished and should remain as permanent organizations. All monies which should be paid to the treasury must be promptly paid to the treasury. Those who refuse to pay them to the state must be severely dealt with. The large and serious cases must be thoroughly and clearly dealt with. It is necessary to specially inspect the grain, [words indistinct], and labor service companies this year. On this basis, it is essential to carry out all-round inspection.

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CSO: 4006/1004

ANHUI REGULATIONS ON COMMODITY CIRCULATION

OW041113 Hefei ANHUI RIBAO in Chinese 18 Apr 86 p 1

[Excerpts] The provincial party committee and the provincial government recently issued a joint statement outlining the following 12 regulations on promoting reform in commodity circulation and facilitating commodity flow:

1. It is necessary to give full play to the leading role of state-run businesses and supply and marketing cooperatives in urban and rural commodity circulation.

2. Reform should be conscientiously carried out in the wholesale system of state-run businesses.

3. Supply and marketing cooperatives should be developed into cooperative economic organizations that truly belong to the peasants.

4. Continuing efforts should be made to promote collective and individual businesses.

5. New circulation channels and commercial forms should be actively explored.

6. Commercial enterprises should be further invigorated.

7. Small commodity production and trading should be emphasized.

8. Construction and transformation of the commercial infrastructure should be stepped up.

9. Financial, taxation, and banking departments should support the commercial departments in speeding up commodity circulation.

10. Pricing, industrial, and commercial departments should start from commodity circulation in strengthening pricing and market control.

11. The economic contract system in the field of commodity circulation should be further improved.

12. It is necessary to step up leadership and provide careful guidance.

The "regulations" issued by the provincial party committee and the provincial government stress the need to:

1. Persist in reform, particularly in the reform of the wholesale system of state-run enterprises. Specialized wholesale companies or stores should be formed gradually. State-run large and medium-size retail enterprises can also deal in wholesale business.

2. Vigorously promote lateral economic cooperation. New interregional and interdepartmental agricultural, industrial, and commercial establishments and conglomerates consisting of these three establishments should be set up on a trial basis. Cities and towns should open all kinds of specialized commodity, agricultural, trading, and wholesale markets. It is necessary to boldly explore new avenues of combining domestic and foreign trade.

Renovation and expansion of commercial outlets should be treated like the technical innovation of industrial enterprises. As such, they should be incorporated into planning. The scale of such commercial outlets to their corresponding land plots may be appropriately adjusted. Proper arrangements should be made in connection with the funds needed for maintaining, renovating, and decorating commercial outlets, so that use of the money is centralized in the hands of competent city and county departments.

The "regulations" issued by the provincial party committee and the provincial government also urged party committees and governments at all levels to handle commodity circulation with the same devotion as they handle industry and agriculture. All prefectures, cities and counties should appoint a leading comrade to take charge of financial and trade matters. That leading comrade should personally get involved in matters concerning the production, marketing, and pricing of supplies and commodities that are vital to the production and living of most people. If he discovers problems, he should promptly solve them to ensure the stability of socioeconomic activity. At the same time, it is necessary to develop commercial enterprises into the "windows" on socialist material and spiritual civilizations by persisting in building the two civilizations and by effectively stepping up ideological and political work in commerical circulation departments.

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CSO: 4006/1004

ECONOMIC MANAGEMENT

PAPER REPORTS ON COOPERATION BETWEEN COASTAL AREAS, INTERIOR

HK250833 Xian XIBEI XINXI DAOBAO in Chinese 14 Apr 86 p 4

[Report quoted from GUANGDONG TEQU DONGTAI: "Ten Tendencies in Economic and Technological Cooperation Between the Coastal Areas and the Interior"]

[Text] First, the coastal areas and the interior jointly develop coal, nonferrous metals, ferrous metal, and energy resources as well as produce raw materials. The coastal areas chiefly provide funds for the development.

Second, the coastal areas transfer technology to the interior. In the coastal areas, the technology of such trades as light industry and textile, machine building, chemical industry, electronics, food, and building materials industry is advantaged. In particular, various types of processing industries of the coastal areas are welcomed in the interior.

Third, the technological advancement of the interior can be promoted by arranging the sales of famous and high-quality products in various provinces and cities.

Fourth, the interior's core enterprises engaging in the national defense industry transfer advanced technology and products to the coastal areas.

Fifth, for the sake of easing the tense demand for electricity, the coastal areas gradually provide and transfer to the interior the technology and equipment for producing high energy consumption goods such as calcium carbide. In return, the interior provides corresponding products to the coastal areas.

Sixth, they jointly develop the "golden coast." First the interior invests in the expansion of ports in the coastal areas and builds export bases. Second, the interior invests in and develops beaches along the coast.

Seventh, after several contacts, various provinces and cities along the banks of Changjiang have decided to fully develop the "golden waterway" and to build the Changjiang basin into China's largest industry-intensive area.

Eighth, the export of labor is becoming more brisk. The type of physical labor export is gradually replaced by that of mental labor export.

Ninth, the coastal areas have a large number of colleges, universities, and research institutes, which is more favorable in terms of technological force. They can therefore train scientific and technological personnel, as well as management staff, for the interior.

Tenth, both the coastal areas and the interior invest in each other's area, such as running tourism and shopping arcades, building trade centers, and greatly developing tertiary industry.

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CSO: 4006/1004

GUANGXI AGREES ON MEASURES TO HELP POOR AREAS

OW300734 Beijing XINHUA in English 0716 GMT 30 Apr 86

[Text] Nanning, 30 April (XINHUA)--Authorities in Guangxi Zhuang Autonomous Region have agreed on various measures to help poor rural areas, a regional official said here today.

The measures include exempting poor households from agricultural taxes, and freeing rural enterprises and individually-run businesses in poor areas from paying income tax.

And enterprises opened in the areas by government units or individuals from other places will enjoy income-tax exemption for between 3 and 5 years.

Poor households in the region refer to those whose average annual per capita grain ration is below 200 kilograms and income below 120 yuan. Guangxi as a whole is regarded as being an underdeveloped region.

The regional authorities will spend 150 million yuan this year helping the poor areas with economic development, communications and improvement of drinking water.

Attention will also be directed to the areas' scientific and educational development, said the official. Authorities will make further efforts to promote primary, secondary and vocational education.

Meanwhile, some young and middle-aged intellectuals from the areas will be sent to study at institutes or colleges in more developed areas.

More college and vocational school graduates will be sent to the poor areas, and preferential treatment will be given to experts in education, technology and management who work in these areas.

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CSO: 4020/308

COMMERCIAL BUREAU ENCOURAGES CONSUMER COMPLAINTS

OW051833 Beijing XINHUA in English 1504 GMT 5 May 86

[Text] Beijing, May 5 (XINHUA)--A municipal crackdown on tie-in selling has almost eliminated the problem in Beijing, according to an official of the Commercial Bureau.

Only one shop was discovered still practicing the tie-in selling of cigarettes among the 600 shops examined over the past week in the Xuanwu District.

Since April 23, the municipal authorities adopted a series of emergency measures to ban shops from forcing consumers to purchase inferior goods when they want to buy quality products. These measures follow strong complaints from consumers and intensified coverage by the press.

According to the commercial bureau official today, the telephone lines for consumers to voice their complaints and report hard selling have not been used since last Monday.

Thousands of officials implemented the city council's regulations in different corners of the capital.

Tie-in selling has died in most areas, the official said. Only a collectively-run restaurant and four peddlers were still found practicing hard selling in the Chongwen District.

A manager told the reporter that the fundamental solution is to ensure that the price of goods must be in accordance with their real quality.

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CSO: 4020/314

BRIEFS

3 CHIEFS FOR KEY ENTERPRISES--Wei Jianxing, director of the CPC Central Committee Organization Department, recently said that it is necessary to provide "three chiefs" (chief engineers, chief economists, and chief accountants) for China's 3,000 key enterprises. This is an important measure for strengthening business management of the enterprises after reorganization of their leading groups. He said that the "three chiefs" are important members of the leading groups of the enterprises and have both titles and power, just as deputy managers of the enterprises do. The relevant departments must make proper plans in this respect. Enterprises which have the proper conditions must be provided with three chiefs promptly, and enterprises which temporarily have no conditions must grasp the work of training talented people. At present, more than 70 percent of the country's 3,000 key enterprises, whose output value accounts for 45 percent of the national total industrial output value, have been provided with chief engineers; 20 percent of them have been provided with chief accountants; and 8 percent of them have been provided with chief economists. [Text] [Xian XIBEI XINXI DAOBAO in Chinese 14 Apr 86 p 1 HK]/12766

ECONOMIC LAWS PUBLICITY URGED--Beijing, 24 Apr (XINHUA)--Chief officials of more than 20 units under the State Council gathered today at the Great Hall of the People to discuss study and propaganda of the economic laws. They maintained that it is essential to apply the law to economic management in the course of the ongoing reform of the economic structure. Comrades of the economic departments at all levels must pay due attention to this issue, and all the leading cadres, in particular, must learn how to manage the economy in accordance with the law, they stressed. At the meeting, Zou Yu, minister of justice, pointed out: Comrade Deng Xiaoping's instruction on simultaneously grasping construction and the legal system is of great importance and far-reaching significance in strengthening China's legal system and building socialism with Chinese characteristics. He held that law is a necessary way to manage the economy in the course of reform of the economic structure. Success in reform of the economic structure cannot be ensured should we bypass the law. Zou Yu hoped that comrades in the economic departments would pay particular attention to study of the economic laws. He also urged the central organs to setan exemplary role in publicizing knowledge on law, and the leading cadres at or above department and bureau levels to take the lead in studying the law. [By Chen Yan] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1524 GMT 24 Apr 86 OW]/12766

MODERNIZATION OF OLD PLANTS--Beijing, 29 April (XINHUA)--State spending on technical modernization at existing factories is rising much faster than investment in new industrial construction, according to official figures just released. According to the state statistical bureau, state-owned enterprises carried out capital construction investment of 9.4 billion yuan during the first three months of this year -- a 9.5 percent increase over the same period in 1985. Meanwhile, the enterprises spent 4.1 billion yuan on technological transformation -- a 47 percent increase. During the first three months, spending on the development of new products and improvement of product quality came to 670 million yuan and 240 million yuan respectively, increases of 173 percent and 89 percent over the same period last year. Investment aimed at boosting production rose by 21 percent. [Text] [Beijing XINHUA in English 1055 GMT 29 Apr 86] /12640

CSO: 4020/310

BANK OF CHINA BOOSTS TOTAL ASSETS PROFITS

OW281804 Beijing XINHUA in English 1440 GMT 28 Apr 86

[Text] Beijing, 28 April (XINHUA)--The total assets of the Bank of China, China's foreign exchange bank, reached 260.5 billion yuan last year, 30 percent more than the year before, according to figures just released.

The bank earned a net profit of 1.843 billion yuan last year, 23.31 percent more than in 1984, the figures show.

Of the total assets, the interbank deposits amounted to 49 billion yuan, or 27 percent of the net value of the assets.

This shows that the bank has a sound payment capability, said a bank official.

The bank supplied loans and overdrafts totalling 94.7 billion yuan in 1985, an increase of 53.49 percent over the year before.

Securities and investments in 1985 amounted to 16.3 billion yuan, 57.88 percent more than in 1984.

Sundry accounts receivable and accounts receivable under forward contracts reached 13.3 billion yuan, up 52.7 percent, which shows the further advances of the bank's forward exchanges, said the official.

The bank's capital increased to three billion yuan in 1985 from one billion yuan in 1984. This increase was allocated by the state.

The Bank of China has established correspondent relationships with 3,461 banking institutions in 152 countries and regions. It has 29 branches abroad.

/12640
CSO: 4020/310

SMALL-SCALE ENTERPRISES

BRIEFS

STRONG URBAN, RURAL MARKETS--Beijing, 20 May (XINHUA)--Both urban and rural markets have shown record growth in the first quarter of this year, according to the State Administration of Industry and Commerce today. Statistics from 200 of the more than 60,000 urban and rural markets in the country show that the total volume of transactions reached more than 2.3 billion yuan, over 48 percent more than in last year's first quarter. Biggest increases, ranging from 31 to 254 percent, were reported in meat, poultry and eggs, aquatic products, vegetables and fruits. The amount and value of edible oil transactions in rural markets were more than 50 percent higher than the same period last year. Wholesale markets in Beijing, Tianjin and other major cities also showed renewed vigor. Tianjin reported a 64.7 percent increase at a wholesale market in Hexi District. Beijing's biggest wholesale market, Taipingzhung, handled 1,760 tons of vegetables and fruit in 20 days, four times the volume reported in March of last year. [Text] [Beijing XINHUA in English 1104 GMT 20 May 86 OW] /12913

FUND MARKET SUPPORTS TOWN--Beijing, 21 May (XINHUA)--A fund market is taking shape in Wenzhou City, in East China's Zhejiang Province, to attract and accumulate social funds to promote the development of township and family enterprises in the area. According to the overseas edition of today's PEOPLE'S DAILY, the fund market functions through circulation channels including rural credit cooperatives and other local cooperative financial organization, in addition to state banks. Over the past months, the Chinese press has discussed the possibility of experimenting with using cooperative funds to supplement funds from state banks. In Wenzhou, the rural credit cooperatives expanded their services of floating interest loans and provided 264 million yuan in such loans in 1985. A credit service department, a cooperative financial organization, was set up in October 1984 in Wenzhou. It has provided loans of more than 13 million yuan since then. Through selling shares and issuing bonds, Wenzhou also collected some 170 million yuan in 1985 to be distributed as loans. The banks provided loans of 10.76 million yuan to scores of township enterprises to help them tide over financial difficulties. [Text] [Beijing XINHUA in English 1155 GMT 21 May 86 OW] /12913

CSO: 4020/333

TIANJIN'S NI ZHIFU VISITS INTERNATIONAL DEPARTMENT STORE

SK071239 Tianjin TIANJIN RIBAO in Chinese 21 Apr 86 p 1

[Text] On the afternoon of 20 April, Ni Zhifu, Wu Zhen, Nie Bichu, Zhang Zaiwang, Zhang Huaisan, and other leading comrades of the municipal CPC committee, the municipal advisory commission, the municipal people's congress, the municipal people's government, and the municipal CPPCC committee visited the International Department Store, which will soon open for business.

Vice Mayor Li Lanqing introduced the purpose and the aim of the International Department Store, as well as the distinguishing features of its management. This department store will obtain technical and consumer market information mainly through importing advanced foreign consumer goods for daily use in order to promote the municipality's production of consumer goods, to effect great development in the varieties, designs, and quality of our consumer goods through many years of efforts, and to enable still more commodities to enter international markets. This department store will serve as the window for gaining commodity and technical information, consumer information, and information on international markets.

On 20 April while visiting the department store, Ni Zhifu, Wu Zhen, and others viewed with great interest the 16 commodity counters at the first and second zones of the department store, as well as the foreign commodity exhibition and sales counter at the third zone. They praised the department store for its exploiting others' superiorities to promote the development of the municipal daily necessities industry and to enliven market management.

/6662
CSO: 4006/1035

DOMESTIC TRADE

BRIEFS

SHENYANG TECHNOLOGY FAIR--Shenyang, 21 April (XINHUA)--A technological exchange fair aimed at promoting inter-regional co-operation and helping small and rural enterprises opened in this capital of Liaoning Province today. The 6-day fair is being attended by 450 exhibitors, and is expected to attract up to 200,000 people from across China, according to an organizer. It is the first of its kind to be held in north-east China, and features machine-building, farm machinery, textiles, food processing, petrochemicals, building materials and light industries. Participants will receive help in organizing technology transfer, technical consultancy, bidding for solving technological problems, recruitment of technicians, exchanges of technological and economic information, and marketing of new products. They will also be able to hold negotiations on the establishment of economic co-operatives. The fair is being sponsored jointly by the state council's north-east China economic zone (comprising Liaoning, Heilongjiang, and Jilin Provinces, and Inner Mongolia Autonmous Region) planning office together with 70 other organizations. [Text] [Beijing XINHUA in English 1649 GMT 21 Apr 86] /12640

CSO: 4020/308

FOREIGN TRADE AND INVESTMENT

ZHEJIANG JOINT VENTURES WITH FRG STATE SET PRECEDENT

Duesseldorf HANDELSBLATT in German 25-26 Apr p 13

[Article by Peter Seidlitz: "The Network of Partnership Contacts and Agreements is Becoming Denser"]

> [Text] The minister-president of Schleswig-Holstein, Uwe Barschel, is of the opinion that the heads of German states can render quite useful services in the foreign trade sector. Particularly in the case of state-trading countries he sees the possibility to help the domestic export industry through political involvement. Barschel made this comment in a conversation with the HANDELSBLATT in Hongkong on Thursday, after the conclusion of a trip through the People's Republic of China.

In his own words, this was his first trip during three-and-a-half years in office as head of a delegation with predominantly economic orientation, consisting of eminent representatives of industry, science and agriculture from Schleswig-Holstein. The minister-president saw himself as a "door opener" on this trip to the People's Republic because, he said, "90 percent of the firms do not get to see the people who are presented to a political delegation."

The increased activities of state chiefs in the foreign trade area can be seen by the fact that the partnership agreements concluded by Schleswig-Holstein in China with the east Chinese coastal province of Zhejiang are being followed by a number of similar agreements with other German states.

Minister-president Barschel and his delegation found that German economic interests in the People's Republic encounter the direct competition of the Japanese, China's largest trade partner. Barschel thinks: "The Chinese complain to Tokyo that the Japanese are only interested in their own exports. We, on the other hand, emphasized that China's export capability is also to be increased. We want to build up the market in the long term. The Chinese only have to push a button in order to cut down Japanese imports. Japan will find that, in the long term, overly aggressive sales tactics will not necessarily pay off anywhere in the world, including China."

Increased Autonomy Favors Cooperation

As to the political part of his talks in China, Barschel has become convinced that the economic reform course will be continued, and that in the foreign policy area the Chinese leadership takes great care not "to be misinterpreted" by either side--neither by the United States nor by the Soviets. China does not want to become too dependent on either side.

According to Barschel, official Chinese authorities themselves expressed the desire to cooperate on a regional level between Chinese provinces and German states. The minister-president noticed in China that cities and provinces, and the agricultural enterprises and industries operating there, now have a greater measure of autonomy. They not only have new freedoms in their political contacts, but can also independently conclude agreements with foreign countries regarding agricultural and industrial projects as well as developments in infrastructure.

Zhejiang province, situated near Shanghai, recommended itself for cooperation with the northern German state above all because of its proximity to the coast and its agricultural structure. According to Barschel, many projects were discussed where German industrial participation is possible. Among them, he mentioned construction of Wenzhou harbor and the purchase, desired by the province, of used freighters, transport and passenger ships (in the latter case, they are already preparing financing models with the help of the Landesbank).

On their wish list is also an agricultural "demonstration project" for raising pigs by Nordfleisch (Raiffeisen group), and prospects in the textile sector, for example help in designing Chinese silk products. Schleswig-Holstein (through the Luebeck and Kiel universities) offers training for Chinese students and trainees as part of the partnership agreement. Barschel to the HANDELSBLATT: "They only have to know German so that the training can proceed without delay." This will bring about 100 Chinese to the north of Germany.

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CSO: 4620/43

FOREIGN TRADE AND INVESTMENT

BEIJING TECHNOLOGY IMPORT STATISTICS REPORTED

Beijing BEIJING KEJIBAO in Chinese 26 Feb 86 p 1

[Report by Chen Zhiqiang [7115 1807 1730]: "Technology Importation In This City Is Developing Rapidly"]

[Text] Reporters have learned from the technology transformation working conference held recently in Beijing that the scale and depth of technology importation in this city in 1985 once again had new development. A total of 325 deals were reached with foreign interests for a total financial volume of $320 million. This surpassed that of 1984, which had been the highest volume in history. At the same time, this city also won seven support projects from the United Nations development support office, for a total volume of $9.8 million.

Last year, among the 325 technology importation projects in this city, 149 (45.8 percent) involved standards of the 1980's and 176 (54.2 percent) involved standards of the 1970's. For example, among those with advanced standards were intelligent instrumentation technology, helium-neon laser devices, nuclear magnetic resonance spectrometers, graphics facsimile machines, optic fiber production equipment, and optic fiber external waveguide production technology.

Among technology importation work in this city last year, the focus was on complete sets of equipment for the goal of domestic production. Fourteen projects (total transaction amount of $15.45 million) were contracted for by the municipal broadcast television industry general companies and 9 projects were key components in manufacture technology imported for the domestic production of color televisions (a total transaction volume of $13.24 million), which accounted for 85 percent of the total volume. To better improve the domestic production process for refrigerators and washing machines, this city imported temperature controller and evaporator manufacturing technology, as well as equipment for washing machine plastic injection molding.

Among the technologies imported last year, this city continued to stress support of industries of preferential development. There were 35 transactions regarding food product transactions (total transactions of $35.18 million), 11 percent of the total transactions. There were 41 projects for the electronics and precision instrumentation industries at $47.73 million, or 14.9 percent. There was a great increase in transactions for the building materials industry, contracting for 18 projects altogether for $26.26 million, or 8.2 percent. This was double that of last year. There were 96 projects for the textile industry (a volume of $60.36 million) for 18.8 percent. The motor vehicle industry had 18 projects for $19.09 million and 6 percent. At the same time, attention was also paid to arranging for technology importation for the raw materials industries.

12586
CSO: 4008/2091

LABOR AND WAGES

UNIONS GAIN IN ESTABLISHING 'WORKERS HOMES'

HK020735 Beijing CHINA DAILY in English 2 May 86 p 4

[Article by Zhang Xiaogang]

[Text] Chinese trade unions have made headway in turning their grassroots organizations ino "workers' homes," and promoting workers participation in the decision-making processes of enterprises and their welfare.

The All-China Federation of Trade Unions claimed before the 100th anniversary of May Day that almost half of Chinese enterprise unions had met its criteria government "workers' homes."

The "workers' home" programme was launched by the federation in May 1984, when it received workers' complaints that some union organizations had virtually become extensions of administration or enterprise management, and failed to help workers solve their problems.

The federation regarded this phenomenon as part of the legacy of the long-prevalent, ultra-leftist thinking of trade unions' role. It discussed the issue with the Central Secretariat of the Communist Party, and also reviewed the experience of unionists in other countries.

It decided that the workers must have a stronger voice in deciding enterprise affairs. This is what is now called enterprise democracy, or enterprise democratic management.

It likewise decided that unions should also help boost production along with enterprise management and publicize the Communist Party's decisions along with the Party propaganda department.

The unions should unite workers, support enterprise democracy, and help them whenever they need help.

These have proved to be fairly important decisions, a turning point where Chinese workers bid farewell to the "cultural revolution"-type unions, and began to think of ways to play their role in managing development and promoting their own interests.

Chinese union theorists argued that, in a socialist system, the union was still a necessary product of society's "economic relations," as it was in a capitalist system.

The problem that the union is most frequently faced with is how to balance the interests of the State, the enterprise or collective, and individual workers, they believed. And the union must join the Communist Party and the state to co-ordinate such affairs.

Disputes over working conditions would still now and then occur in China. Bureaucratism, sometimes being criminal itself, would erode workers' economic interests. Trade unions should speak for the workers and hold an effective check on this problem, according to an article recently published in WORKERS' DAILY.

Luo Gan, vice-chairman of the All-China Federation of Trade Unions, also pointed out that at present, one "glaring problem" was the lack of mass supervision on the distribution of wages, bonuses, and welfare.

In Shanghai, where a substantial proportion of the 10 million population belongs to industry and other kinds of businesses, trade unions have been active in promoting adult education and training of skilled workers.

The Shanghai unions are also contributing to the expansion of the metropolis' kindergarten system, since 55,000 more children between the ages of four and six are expected later this year.

The trade union of the Silao Valley Coal Mine in Shanxi Province sends its activists to visit workers' homes on weekends to "look for problems," and render prompt help.

These are good examples. The Chinese union activists regret that "workers' homes" still do not exist in more than half of Chinese enterprises. Therefore, they have to try hard to improve their work and strengthen their ties with the working masses.

The National Organizational Work Conference of Trade Unions, which closed last month, swore to make all the enterprise unions "workers' homes" before the end of 1987, or to accomplish the last half of the work in another 2 years.

The federation has also noticed that, with the expansion of industry, and other businesses and services at the county level, especially in formerly agrarian areas, county unions are gaining more and more members.

The conference marked the beginning of society's realization of the importance of county unions. The responsible people of the federation have reported that they are thinking of ways to strengthen county unions.

In an ambitious commentary in WORKERS' DAILY, the mouthpiece of the All-China Federation of Trade Unions, it was said that even unions at the county or city level should gradually meet the standards of "workers' homes."

The commentary called on the Communist Party and the government offices to co-operate with the unionists' efforts.

In a Chinese enterprise, there is another organization called the "workers congress." It is where workers discuss the managerial affairs of the enterprise.

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CSO: 4020/310

LABOR AND WAGES

INDUSTRY, COMMERCE FEDERATION HOLDS CONFERENCE

OW010514 Beijing XINHUA in English 0257 GMT 1 May 86

[Text] Changsha, May 1 (XINHUA)--The China Federation of Industry and Commerce has set up more than 1,000 industrial, commercial and service enterprises throughout China since 1979, according to the National Work Conference of the federation here.

The enterprises have created job opportunities for about 100,000 young school graduates and delivered to the state 120 million yuan in profits and taxes.

The federation was established by former industrialists and businessmen, who are good at business management and traditional industrial skills.

Huang Liangchen, vice-president of the federation, told the meeting that the federation's efforts have received full support and encouragement from the party and government. Facts show that in running enterprises, the federation can better contribute to the nation's modernization effort, he said.

The federation has also developed close ties with their counterparts in Hong Kong and Macao and among overseas Chinese, the vice-president said.

Over 200 responsible members of the federation and leaders of the federation's enterprises attended the conference.

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CSO: 4020/314

LABOR AND WAGES

BRIEFS

WORKFORCE NEARLY DOUBLES--Beijing, 29 April (XINHUA)--China's industrial workers number more than 120 million, nearly twice as many as the figure 15 years ago, according to the statistics bureau here today. The country's workers have been increasing at an annual rate of four million since the 1970s, said the bureau. Meanwhile, with the development of the country, the quality of the workers has also improved. The bureau said, for example, high-school graduates are common among workers nowadays, while there were few of them 15 years ago. It noted that approximately 20 million workers are presently taking television college courses or courses at sparetime or continuation schools. The increase is partly due to China's development of self-employed workers and workers in rural enterprises in recent years. Self-employed workers have increased from 800,000 in 1980 to 4.5 million by the end of last year and 60 million peasants have been employed by local rural industrial enterprises, according to the bureau. [Text] [Beijing XINHUA in English 1625 GMT 29 Apr 86] /12640

SERVICE COMPANIES HELP EMPLOYMENT--Beijing, May 5 (XINHUA)--China had more than 45,000 service companies employing six million people at the end of last year, a national meeting on employment being held here was told. Most of the companies, which run shops, restaurants, repair businesses and other service trades, were set up by county or township authorities. They provided jobs for urban workers and surplus labor from the countryside, an employment official told the meeting. The number of employees was 12.2 percent higher than at the end of 1984. The companies' total output value and sales increased by about 40 percent, and profits by more than 50 percent. Meanwhile, the companies also built more than 1,200 training centers. About 60,000 people are now being trained in these centers every year. [Text] [Beijing XINHUA in English 1532 GMT 5 May 86] /8309

CSO: 4020/314

POPULATION

NINGXIA RELIGIOUS LEADERS PROMOTE FAMILY PLANNING

OW031746 Beijing XINHUA in English 1454 GMT 3 May 86

[Text] Yinchuan, 3 May (XINHUA) -- "As leaders of the Islamic religion, we should and can help make China's family planning a success."

So said by Ma Chengcai, vice-chairman of the Islamic Society of the Ningxia Hui Autonomous Region, in an interview with XINHUA today. Ningxia is the only provincial-level administrative area in China where the Islamic Huis exercise self-government.

Ma said that Moslem Holymen have succeeded in convincing many believers of the need to control the population growth by quoting the Koran and other Islamic classics.

"The Koran does not oppose family planning," said Ma. "One teaching goes: in order (for the wife) not to suffer the pains of labor, it is permissible for the husband and wife to live separately or for the wife to have an abortion, with the couple's mutual consent."

"Another teaching says that separation of the husband and wife is allowed in order not to have babies," he added.

In addition to publicizing these teaching at religious services, he said, religious leaders have compiled pamphlets on population-control experience in Paikstan, Bangladesh, Egypt and other Islamic countries for their Moslems.

"But the best way of persuading people to accept the family planning policy is to convince them that to have fewer children does good to themselves," he said.

Ma cited the example of his native place, Tongxin County, where the population had grown nearly six times to 332,000 by 1985, up from 41,000 in 1949. "Despite increases in production, there has been little improvement in living standards," he said.

"More and more Muslims have come to realize that although the family planning policy for the Huis is much more liberal than that for the Han

Chinese, there is still the need for them to have fewer children for the benefits of their nationality," he said.

In Ningxia, the Han people in cities can have only one child per couple, and in rural areas, a maximum of two. But the Hui and other ethnic minorities can have two in cities and three in rural areas.

Many religious leaders have set personal examples of following the family planning policy.

Ma's daughter, who lives in Tongxin County, agreed to be sterilized after she had three children, and now 133 fellow women in the county have managed to persuade family members to have similar operations.

Following their examples, Ma said, 78 percent of the married women there now use contraceptives.

Earlier this year, the regional government called a meeting celebrating its success in bringing the region's natural population growth rate between 1981 abd 1985 down to 13 percent, 4.2 percent less than expected.

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CSO: 4020/308

POPULATION

SURVEY SHOWS LOW DIVORCE RATE

OW281320 Beijing XINHUA in English 1255 GMT 28 Apr 86

[Text] Beijing, 28 April (XINHUA)--China's divorce rate ranges from 0.1 to 0.4 percent, much lower than that of many developed countries, the state statistical bureau reported today.

The figure is from a survey carried out last year among 13,000 married women under 50 in Hebei, Shaanxi, and Shanghai. Ninety-nine percent of these women had married before their 35th birthday.

Hebei was chosen as a coastal province, Shaanxi as an inland one, and Shanghai as a big city, explained a bureau official.

The divorce rate was 0.1 percent for Hebei, 0.3 percent for Shaanxi, and 0.4 percent for Shanghai, according to the survey.

Early marriage, which was popular in old China, is now rare in cities like Shanghai.

However, in Shaanxi Province, about 20 percent of women in the age group between 20 and 40 had married before they were 20, which is the legal minimum age of marriage for women.

And most of the women who had married early lived in the countryside, the bureau reported.

The survey showed that each couple had an average of 1.54 children in Shanghai, 2.45 in Hebei and 2.8 in Shaanxi.

Among the married women, 82.8 percent in Shanghai, 75.6 percent in Hebei and 59 percent in Shaaxni used contraceptives.

Infant mortality had fallen sharply. Mortality was about 19 per thousand in Shanghai and 34 per thousand in Hebei and Shaanxi Provinces.

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CSO: 4020/308

POPULATION

ELDERLY WITHOUT CHILDREN IN SPECIAL HOMES

OW161426 Beijing XINHUA in English 1332 GMT 16 May 86

[New feature: "Reform Presents Problems and Hope for Elderly People Without Children"--XINHUA headline]

[Text] Harbin, 16 May (XINHUA)--China's responsibility system ties farmers' income to their output in the fields, and a few years ago, when farmers in Heilongjiang Province were told the system would come to their area, they embraced it warmly, hoping for new prosperity, and for some, it has begun to arrive.

Some of the people the Chinese revere most--the elderly--had worries.

Elderly people with children are as well cared for as ever, but with income tied to output, those too old to work in the fields and without relatives to depend on could have a rough time.

Local governments have responded quickly. By the end of April, 97 percent of the rural towns in the area of Qiqihar City in Heilongjiang, China's northernmost province, had set up 187 special homes for the childless old.

Nearly 5,000 people are being cared for in these homes, and they are finding that the responsibility system can work for them--the wages of the nurses at the homes are tied by their administrators to the quality of care they provide the patients.

Authorities in the area launched a fund drive last year to help the childless elderly. They raised three million yuan from organizations and individuals and, with the money, were able to build or expand 71 homes.

By October, each of the area's 200 rural towns is expected to have at least one home for the elderly, according to an official of Qiqihar, which supervises the rural towns on its outskirts.

To support the homes, nurses have initiated such sidelines as growing vegetables and raising pigs. Last year their efforts generated 1.2 million yuan, the official said.

As a result, he said, most of the homes have become self-sufficient in terms of meat and vegetables, and many have bought color televisions and washing machines.

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CSO: 4020/333

BRIEFS

FUND FOR AGED--Beijing, 14 May (XINHUA)--A national fund to help China's 80 million old people was launched at a meeting here today. Wang Shoudao, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, was elected honorary director-in-chief of the fund, and Yu Guanghan, chairman of the Chinese National Committee on Aging, director-in-chief. As a mass organization, the fund will raise money from government departments, enterprises, or individuals to build centers and support welfare services for old folk, and will liaise with overseas Chinese and foreign organizations for the aged. China's population of 80 million people above the age of 60 is expected to grow to 130 million by the end of the century. To enable the elderly to lead a richer life, the Government has taken and backed measures in recent years to set up special colleges and recreational centers for them. [Text] [Beijing XINHUA in English 1012 GMT 14 May 86 OW] /12913

CSO: 4020/333

TRANSPORTATION

SIXTH FIVE-YEAR PLAN TRANSPORTATION SUCCESSES OUTLINED

Hong Kong CHING-CHI TAO-PAO in Chinese 24 Mar 86 pp 28-29

[Article by Ch'en I-gen [7115 0076 2704]: "New Situation in Process of Forming in China's Transportation"]

[Text] Transportation must take the lead in an economic take-off. In its recommendations for the Seventh 5-Year Plan for national economic and social development in September 1985, the CPC Central Committee particularly stressed adherence to a priority position for transportation and communications. During the Seventh 5-Year Plan, major efforts are to be made to bolster highway, water, and air transportation, to change the transportation mix, and to promote the modernization of transportation.

Right after the lunar New Year, a national conference on transportation work convened in Beijing. During this conference, the correspondent interviewed Minister of Communications Qian Yongchang [6929 3057 2490], asking him to provide a detailed briefing on developments and prospects in China's transportation.

One of the Best Periods for Transportation

Minister Qian said that the Sixth 5-Year Plan period had been one of the best for transportation since the founding of the Chinese People's Republic. Sixth 5-Year Plan goals for volume of highway freight hauled had been fulfilled 1 year ahead of schedule. During 1985, 651 million tons of freight had been hauled on highways 21 percent more than in 1980. Passengers transported numbered 4.2 billion, up 87.5 percent from 1980 in a 13.6 percent annual increase. Volume of ship cargo hauled reached more than 480 million tons in a 23 percent increase over 1980. Major coastal ports completed 1 year ahead of schedule their Sixth 5-Year Plan quotas for volume of cargo handled. In 1985, they handled more than 350 million tons, up 62 percent from 1980 for an average annual 10.1 percent increase. This included the port of Shanghai's breaking of the 100 million ton mark in volume of cargo handled during the last 2 years of the Sixth 5-Year Plan to enter the world ranks of ports handling 100 million tons. Despite a slump in the international marine transportation market, a glut of transportation and fierce competition, the China Ocean Shipping Company worked to develop and strove to improve its operation in the midst of competition, both the volume it hauled and its economic effectiveness rising year after year beginning in 1984. Its freight volume was 15 percent higher in 1984 than in 1983, and in 1985 it again increased volume by 17.5 percent over 1984.

Rapid Construction of Basic Facilities

On the topic of construction of basic facilities for transportation, Minister Qian said that speed of construction had been greater during the Sixth 5-Year Plan period than at any time during the previous 36 years. In port construction, during the 5 year period a total of 54 deep water anchorages and 25 medium deep water anchorages had been built, increasing cargo handling capacity by more than 100 million tons. As of the end of 1985, deep water anchorages in the country's major coastal ports numbered 199; medium deep water anchorages numbered 156, and cargo handling capacity was 317 million tons. During the past 5 years, new developments had also taken place in the building of piers by cargo owners themselves, through local pooling of funds and joint development, and use of foreign capital. In 1985 alone, materials departments in Hubei Province had built 32 pier anchorages with a cargo handling capacity of more than 2 million tons. In the realm of construction on inland rivers, emphasis on the main Chang Jiang route had been on improvement of ports along the way and on the construction in the river's lower reaches of a number of foreign trade piers. Dredging of the 400 kilometer long Grand Canal running between Beijing and Hangzhou has been completed, and projects for the construction of two-way boat locks are underway. In Guangzhou, 52,000 kilometers of highway were constructed during the Fifth 5-Year Plan, and 83,000 kilometers of highways were surfaced. Fifteen thousand bridges of various kinds were constructed. As of the end of 1985, the country had 940,000 kilometers of highways, including more than 193,000 kilometers of primary and secondary highways. The first class highway for the dispersal of cargo at Tianjin, the highway in China that has the highest standards, was completed in October 1985. It is capable of handling 20,000 motor vehicles in a 24 hour period. The more than 1,900-kilometer long Qinghai-Xizang Highway has undergone renovation, with an asphalt surface applied throughout its length for a more than doubling of its traffic carrying capacity.

Simultaneous Existence of Multiple Economic Entities

During the Sixth 5-Year Plan, political and entrepreneurial responsibilities were separated in transportation units, and very great achievements were also scored in the simplification of political institutions and the delegation of authority. Both the ministry and transportation departments (or bureaus) in all provinces and regions delegated authority to a number of directly subordinate enterprises. Delegation of authority has been made at Tianjin and Dalian ports, both of which are under direct jurisdiction of the ministry, and the port of Shanghai has recently begun to delegate authority to cities woncerned. A delegation of authority is being gradually carried out in navigation of the Chang Jiang following a separation of the administration of the port and navigation.

Qian Yongchang said that during the Sixth 5-Year Plan the country's principle economic form for transportation had been undiversified public ownership. As a result of several years of reform, however, a situation of independent management and independent operation has come about as a result of fundamental changes in transportation production and construction, with multiple units conducting operations, many quarters pooling capital, and many economic entities existing side by side for a thriving situation. As of the end of 1985, there were 290,000 independently owned motor vehicles engaged in transportation throughout the country, which was more than the number in the hands of units specializing in transportation. There were more than 240,000 independently owned ships with a capacity of 3.2 million tons engaged in transportation. This was approximately two-thirds the number of state-owned and collectively owned ships engaged in inland river transportation. There are currently 73 outfits engaged in marine transportation. More than 800 shipping companies are now a part of the Chang Jiang water system, and volume of cargo hauled on this system increased by 10 million tons annually. The volume of foreign trade cargo handled by Chang Jiang ports in 1985 reached 5.95 million tons, which was double the 1984 amount.

Minister Qian Yongchang said that in the realm of highway transportation, the country had established jointly managed organizations including the Northeast Highway Containerized Cargo Joint Transportation Main Station and the Beijing-Shanghai Containerized Cargo Transfer Center. There are more than 2,500 routes throughout the country for the hauling of odd lots of freight. One is the East China Highway Transportation network centering around Shanghai, and another is a highway transportation network centering around Beijing and Shenyang that links eight provinces in north and northeast China.

Acceleration of Progress and Improvement of Quality

Speaking about development plans for transportation in China during the Seventh 5-Year Plan, Minister Qian Yongchang said this matter has two aspects. One is a firm grip on the building of basic transportation facilities. The second is the bolstering of management and improvement of macroeconomic controls.

Minister Qian said that basic needs in the building of transportation facilities during the Seventh 5-Year Plan are as follows: First is hastening of construction progress insofar as the country's financial and material resources permit. Second is improvement in the quality of basic facilities with the construction of a number of ports and highways that meet fairly high standards, plus improvement of inland river transportation facilities. Third is improvement of the mix and the pattern of basic facilities to improve overall performance. Fourth is to meet the urgent needs of the present and lay a definite foundation for economic take-off during the next 10 years.

Specifically recommended during the Seventh 5-Year Plan is the building and coming on stream of 100 deep water anchorages, with efforts to build 120, and the building and coming on stream of 80 medium and small anchorages. The number of deep water anchorages built and put into service should be more than double the Sixth 5-Year Plan number. With the completion of this construction, the adaptability of China's ports will increase markedly. First the back-up of ships and the port congestion will certainly be ameliorated. By the end of the Seventh 5-Year Plan, China's coastal ports will have approximately 1,200 anchorages, between 300 and 320 of them deep water anchorages. Preliminary estimates have been prepared on the ratio of anchorages to ships in port, which is roughly 1 to 2. Second is the hauling of principal port supplies such as handling capacity for coal, crude oil, ores, grain, and timber, which will be substantially commensurate. There will be a general dovetailing of the movement of such cargoes with the hauling capacity of railroads and pipelines, and the matching of ship loading and unloading with the marine coal hauling system and the water-borne crude oil movement system. Third is improvement in port modernization to make more rational the structure and layout of ports for substantial improvement in port loading and unloading facilities and the availability of highway transportation to disperse port cargoes.

Emphasis in highway construction during the Seventh 5-Year Plan will be on new construction, rebuilding and expansion of main economic arteries, lines to disperse cargoes from ports, energy lines and major tourist lines. The Ministry of Communications' initial planning has been done for 27 routes, including the routes between Beijing and Tanggu, Beijing and Shenyang, Shenyang and Dalian, Shanghai and Nanjing, Shanghai and Hangzhou, Nanjing and Hangzhou, Fuzhou and Xiamen, Nanning and Beihai, Jinan and Qingdao, and Guangzhou and Zhuhai, constructing highways totaling 8,500 kilometers in length.

With the completion of this planned construction, China's highway situation will have undergone the following changes: First is moderation to a certain extent of congestion at points of entry and exit at large cities, on dispersal routes to and from port and station hubs, and at choke points on major trunk lines. Second is a proper rise in grade standards for China's highways, and the building of China's first high speed highways.

Raising of Funds Through Many Channels and Vigorous Efforts To Attract Foreign Capital

The emphasis in construction on inland rivers is mostly on five rivers. On the main Chang Jiang artery, the emphasis is on the building of ports, mostly a transformation of the old piers. This transformation is intended to expand capacity by 9.67 million tons, including 5 million tons of coal ship loading capacity. Foreign trade piers are to be built at Wuhan, Huangshi, and Wuhu where eight new 5,000 ton anchorages with a capacity of 2.5 million tons will be built. Feasibility studies will be prepared for shipping lanes on 16 tributaries to the Chang Jiang water system in order to develop them when conditions are right.

Qian Yongchang said that good construction of basic transportation facilities entails, first of all, the planning of transportation patterns. Investment in construction has to be focused; it cannot be spread too thinly. It is necessary to stir enthusiasm in all quarters, to raise funds through various channels, and to make special efforts and act courageously to attract foreign capital for use in the construction of basic transportation facilities.

Application of Three Methods and Institution of Macro-control

Qian Yongchang said that intensification of macro-control of transportation is required. In its recommendations for the Seventh 5-Year Plan, the CPC Central Committee pointed out that state management of enterprises would gradually move away from mostly direct control to mostly indirect control, and that emphasis should be on macroscopic strengthening of indirect control over economic activity.

Qian Yongchang said that institution of macro-control would be done mostly through the application of three methods, as follows:

First would be economic methods. This consisted mostly of the regulatory role of economic levers such as the use of shipping prices, payment of taxes and profits, credit, interest rates, and depreciation.

Second would be legal methods. It is necessary to amplify laws governing transportation and to perfect various laws, regulations and ordinances having to do with transportation as well as corresponding provisions for carrying them out.

Third would be administrative methods. Until such time as economic methods and legal methods have been perfected, administrative methods will have to be used against units and individuals that refuse to take the whole situation into account but only show concern for a part of it, or refuse to take a long-range view but show concern only for the present and seek out loopholes in reforms. Administrative methods, economic methods, and legal methods are mutually reinforcing and complementary. The direction of reform should be gradual reduction in the use of administrative methods; however, it will never be possible to dispense entirely with necessary administrative methods. It is necessary to buttress programs and policies constantly, to audit and to supervise, to administer highway and aviation policies, to reduce gradually plans of a directive nature, to expand plans of a guidance nature, and to regulate markets properly.

A 1,000 mile journey begins with the first step. Qian Yongchang said that among the tasks that transportation units must complete this year are completion of the shipment by water of 180 million tons of freight, and fulfillment of a 340-million ton quota of cargo handled by coastal ports.

Formulation of a number of basic laws. Five laws have been submitted to the State Council including: "The Marine Commerce Law," "Shipping Regulations," and "Contract Regulations For Highway Freight Transportation." Plans call for the drafting this year of "Harbor Law" and "Regulations on Handling of Highway Accidents."

A firm grip should be taken on improvement of transportation techniques, basically maintaining the level of 1985. The main emphasis of the technical transformation of ports should be on transformation of coastal areas that have technically backward equipment, pier anchorages on inland rivers, expansion of warehousing, and improvement of the availability of transportation to move cargoes from hub areas.

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TRANSPORTATION

DOUBLE TRACKING OF HARBIN-SUIFENHE RAILWAY

Beijing TIEDAO ZHISHI in Chinese No 1, 28 Jan 86 pp 2-3

[Article by Jiang Chenglu [1203 2052 0712]: "The Harbin-Suifenhe Railway, Which Is In Process of Being Double Tracked"]

[Excerpt] The Harbin-Suifenhe Railway, which traverses the southeastern part of Heilongjiang Province, has as its principal responsibility the hauling of coal from the coal producing area in the eastern part of the province. Inasmuch as the single track line is no longer able to satisfy ever increasing requirements for the hauling of coal from the region, the country has decided to double track this line between Harbin and Mudanjiang.

Geographical Position

The Harbin-Suifenhe Railroad begins at Harbin, the capital of Heilongjiang Province, and travels eastward through Mudanjiang to Suifenhe on the Sino-Soviet border, covering a distance of 546.4 kilometers. The Harbin-Suifenhe Railroad intersects at the Harbin hub with the Harbin-Dalian, the Harbin-Jiamusi and the Harbin-Manzhouli lines. At the Mudanjiang hub, it connects with the Mudanjiang-Tumen and the Mudanjiang-Jiamusi lines, and it links Linkou, Qitaihe, Jixi, and Hengshan, major coal producing areas of Heilongjiang Province. Between Mudanjiang and Suifenhe, the line connecting Jixi with Xiachengzi intersects it, providing yet another artery forbonds, is a Chinese border city, and the Suifenhe station is yet another entry and exit point for land trade between China and the USSR.

The Harbin-Suifenhe Railroad is a major transportation artery running in an east-west direction in the northern part of northeastern China. It is a major trunk line in China's railroad network, and a transportation route for international trade between China and the Soviet Union and between China and Korea. It is also the nearest route for the movement of coal from the eastern part of Heilongjiang Province to the industrial area of Liaoning Province. Double tracking of the Harbin-Suifenhe Railroad holds major significance for further development of the economy of the northeastern region and for ameliorating the energy shortage in the southern part of Liaoning Province.

Principal Ingredients in the Double Tracking

The operating distance between Harbin and Mudanjiang on the Harbin-Suifenhe Railroad is 337 kilometers. Between 1958 and 1962 a 152 kilometer stretch through a total of 17 sections including the sections from Xinxiangfang to Xiaoling, Maoershan to Laoshan, Yimianbo to Jiujiangpao, Zhishan to Qifeng, and Aotou to Lagu were double tracked and opened to traffic. Now the double tracking of all remaining single track sections is to be completed, covering a length of 185 kilometers.

Existing equipment on the Harbin-Suifenhe line is antiquated and standards are low. The section of the line between Harbin and Yuquan is still fairly flat and straight, but after leaving Yuquan, the line enters the Zhangguangcai mountain region where grades are steep and the radius of curves is small. The maximum grade is 1.2 percent and the minimum curve radius is 250 meters. In two sections that cross the mountains, with a distance of 106 kilometers, two locomotives must be used to pull.

During the present double tracking, standards will be raised both for equipment and for renovations. For example, the minimum curve radius will be altered to 400 meters, and the grade limit for single engines will be changed to .53 percent. In the direction traveled by two locomotives with loaded cars, it will be changed to 1.13 percent Fairly long arrival and departure lines will be lengthened to 850 meters; signals will be altered to the relay semi-automatic blocking kind. Interlocking will be all electric for large, medium, and small stations. Communications and electric power are to be improved and strengthened. As passenger and freight traffic volume increase along the line and as the amount of technical operations mount, sidings will be increased at most stations. New stations will be built and a corresponding number of passenger and freight transportation facilities will be added. In order to lower project costs and hasten the pace of construction, every effort will be made to use old double track roadbeds, bridges, and culverts in doing the new double tracking. In order to avoid excessive increase in the amount of work required and investment that would result from the lowering of gradients, two locomotives will continue to be used to pull trains across the two sections that traverse the mountains. Except for required changes in grade crossings and vertical sections on existing lines resulting from the rebuilding of station areas, in order to reduce major changes in or major abandonment of existing lines, generally no major changes will be made to other sections including curves with a radius of less than 400 meters, straight and narrow lines that do not meet standards, and gentle curves.

After the section between Harbin and Mudanjiang has been built, its annual traffic capacity will be substantially increased to 22 million tons up the line and 13 million tons down the line. This will substantially satisfy near-term needs for an increase in traffic volume. Over the long-term, as the volume of traffic increases, automatic blocking will be instituted along the entire line.

During the period of double tracking, the Mudanjiang hub will also be expanded. After the expansion, total freight volume can increase to 35 million tons per year. The Mudanjiang passenger station will also be expanded at the same time, and the newly built facilities will be complete in every way. The station will be able to hold a maximum of 3,500 people at once time.

Work began in 1982 on the Harbin-Mudanjiang double tracking project and on expansion of the Mudanjiang hub. It will be completed before 1990.

Products Found Along the Line

Industry is well developed and products proliferate along the Harbin-Suifenhe Railroad line. The western section of the line is located in the major grain growing region of northeast China, the Songhuajiang Plain, which produces huge amounts of soybeans, corn, wheat, sorghum, and light industrial raw materials such as sugarbeets, flax, and flue-cured tobacco. Industries include sugar refining, linen textiles, brewing, and leather processing for the most part. Examples are the sugar refineries and flax plants at Acheng, the breweries at Yuquan and Yimianbo, the products from which are sold throughout the country. In the central section that crosses the Zhangguangcai mountain range, large amounts of timber, mineral construction materials and local specialties such as ginseng, wood fungus, mushrooms and hazel nuts are produced. The eastern section of the line abuts a coal region with abundant coal reserves of good quality that are not far below the surface, making for easy extraction. In addition to large coal mine areas such as Jixi and Qitaihe, during the past 2 years some local small coal mines have been newly opened with an annual output totaling more than 30 million tons. Some of this coal travels via the Harbin-Suifenhe Railroad to energy-short areas in southern Liaoning Province. Another portion of it goes via the Mudanjiang-Tumen line for export. In the eastern section, not only are there coal resources, but forest resources are very abundant as well. In the Dongfanghong region at Hailin, Chaihe, Suiyang, and beyond Mudanjiang lies a major timber producing area. Mudanjiang is a new industrial city with rubber, farm machinery, oil refining, timber processing, cement, and paper making industries.

9432
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PUBLICATIONS

BRIEFS

WEEKLY BEGINS PUBLICATION IN UK--CHINA ECONOMIC WEEKLY, a new publication, produced in English by the journal ECONOMIC DAILY, will come out on 1 May. The 16-page weekly will be edited in Beijing, and printed and distributed in Britain. A senior official from ECONOMIC DAILY said the weekly will mainly cover the economic principles and policies of the Chinese Government, and China's economic reform, regulations and economic activities. It will also cover China's economic, technical and cultural exchanges in cooperation with foreign countries and provide information on investment, cooperation and trade for foreign businessmen, he added. [Text] [Hong Kong Ta Kung Pao in English 1 May 86 p 5] /12640

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- END -

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China Report

ECONOMIC AFFAIRS

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'EXCERPTS' OF SHANGHAI 1986 DEVELOPMENT PLAN

OW221400 Shanghai WEN HUI BAO in Chinese 6 May 86 pp 2, 4

[Text] Report on Shanghai's 1986 Plan for Economic and Social Development [excerpts]

[Delivered] at the Fifth Session of the Eighth Shanghai Municipal People's Congress on 25 April 1986

[By] Vice Mayor of Shanghai Municipality Li Zhaoji

1. Execution of the 1985 Plan

Nineteen eighty-five was the last year of the Sixth 5-Year Plan. Thanks to the concerted efforts and hard work of the people of the whole municipality in conscientiously implementing the report on the outline of the strategy for Shanghai's economic development, approved by the State Council, we made new advances in reform and opening to the outside world, scored better economic achievements than expected, fulfilled and overfulfilled the economic and social development plan, and successfully accomplished all major targets set in Shanghai's Sixth 5-Year Plan, thereby laying the groundwork for implementing the strategy for Shanghai's economic development. The gross product of the people of the municipality in 1985 was 46.7 billion yuan which, in terms of comparable prices, represented a 13.4 percent increase over the previous year. Following describes the fulfillment of the plan in various fields:

Industrial production maintained a sustained, steady, and balanced growth. The total industrial output value in 1985 was 82.96 billion yuan, topping 1984 by 11.4 percent and overfulfilling the planned increase of 8 percent. It was the biggest growth in the Sixth 5-Year Plan. Light and heavy industries developed in a harmonious manner, with light industry showing an increase of 11.8 percent and heavy industry, of 11 percent, over 1984. The proportion between light and heavy industry was 55.6 to 44.4. Except for crude salt and heavy oil, the 38 products under the state mandatory plan had their annual plan targets fulfilled.

The rural economy continued to advance in the course of reform. The annual agricultural output value (including village-run industry) totalled 5.59 billion yuan, 19.4 percent more than in 1984.

The market was brisk. Yearly retail sales reached 18.32 billion yuan, representing a more than 30 percent increase over the previous year. Supply of foodstuffs clothing, and consumer goods increased in an all-round manner, while sales of high-grade durable consumer goods registered even bigger increases. A tremendous change took place in residential consumption patterns. The proportion of sales of foodstuffs, clothing, and consumer goods as compared to the total retail sales was respectively 37, 20.5, and 41.9 percent, with sales of consumer goods surpassing those of foodstuffs for the first time since the founding of the country, reflecting a higher consumption level.

In transportation, passenger and freight transport plans were overfulfilled, with a total of 242 million metric tons of freight transported in 1985, or 4.7 percent more than in the previous year. However, transportation facilities were overloaded, ports crowded with ships, and warehouses overstocked with materials.

Construction of key projects and urban infrastructure proceeded at a faster pace. A total of 9.93 billion yuan of investment was made in fixed assets, an increase of 28.8 percent over 1984. Of this, 5.71 billion yuan was invested in capital construction, 20.3 percent more than in the previous year; 3.56 billion yuan in upgrading facilities, topping 1984 by 58 percent; and 670 million yuan in construction of rural towns and other projects, 7 percent less than in 1984. As a result of the faster construction pace of key projects and infrastructure, the construction of 12 key state projects proceeded smoothly. The municipality's investment in transportation, postal, telecommunications, electric power, public utility, and other infrastructural facilities during 1985 topped that of the previous year by 95.4 percent, with its proportion compared to the municipality's total investment rising from 13.9 percent in 1984 to 20.6 percent. The nine urban capital construction projects approved by the Third Session of the Eighth Municipal People's Congress last year were basically completed and put into production or operation.

New achievements were made in opening to the outside world and establishing ties with other areas of China. In 1985, with international market prices dropping, Shanghai's export ports handled U.S. $3.36 billion of export goods thanks to the efforts made by all sectors concerned. Although overfulfilling the state plan, this figure was still 6.3 percent less than in the previous year. In the same year, Shanghai signed 121 contracts with foreign countries and utilized U.S. $770 of foreign capital, 220 percent over the previous year, representing a faster rate in utlizing foreign capital. Shanghai signed 22 construction and labor service contracts involving U.S. $13 million. It received 600,000 foreign guests and tourists from 150 countries and areas, 13.2 percent over the previous year, generating a tourism income of 420 million yuan, 44.2 percent over the previous year. Regarding ties with other areas of the country, Shanghai formed over 2,000 economic associations with 28 provinces, municipalities, and autonomous regions as of 1985. These included enterprises with joint investment, joint production, compensatory trade, and so forth. There were over 1,500 cases of technical cooperation and technical transfer; many of them have yielded or are yielding good economic and social benefits, and over 200 million yuan in profit has been produced in 1985 alone.

More scientific, technological, and educational undertakings were developed. In 1985, Shanghai made 1,957 major scientific and technological achievements, 12.9 percent of them reaching the internatonal advanced level or being international firsts, and 73.5 of them matching the national advanced level or being firsts in the country. The rate of application and popularization of scientific research results increased from 52.6 percent in 1984 to 57.1 percent in 1985. Social science workers also made many research achievements, contributing to Shanghai's national economic and social development. The city enrolled a total of 4,347 postgraduate students, 37,000 students for regular colleges and universities, and 26,000 for secondary technical schools, all figures surpassing the planned targets. In 1985, a total of 1,580 postgraudate students completed their courses, 1,106 more than in the previous year. Among them, 57 were awarded doctcrate degrees and 1,371, masters degrees. In 1985, the larges number of postgraduate students were trained during the entire Sixth 5-Year Plan period. Adult education also developed vigorously. The combined enrollment of all types and levels of adult schools was 776,000, some 150,000 of the enrolled by institutes of higher education for adults.

Revenue and withdrawal of currency from circulation were good. In 1985, Shanghai's local revenue reached 18.09 billion yuan, 7.8 percent over the planned target and 12.7 percent over the previous year. Banks withdrew 3,208 million yuan net, 1.3 billion yuan over the planned target and 82.8 percent over the previous year, being the largest amount every withdrawn since the founding of the People's Republic.

The people's livelihood in both urban and rural areas further improved. The state arranged and assigned jobs for 161,000 people in Shanghai in 1985, and the total number of staff and workers by the end of the year was 4,926,000, some 51,000 more than in the previous year. Their total wages amounted to 6.55 billion yuan, 21.9 percent over the preceding year. Their average annual wage was 1,344 yuan. Adding the subsidies for increased prices of nonstaple foods and deducting the increases in price indexes, their actual income was 12.3 percent more than in the preceding year. Statistics showed that peasants' per-capita income was 714 yuan, 11.6 percent more than in the previous year. By the end of the year, urban and rural people's savings deposits totaled 7.01 billion yuan, 24.9 percent over the previous year.

Progress was also achieved in journalistic, publication, television, cultural, art, physical culture, public health, family planning, and environmental protection undertakings.

2. Views on the Arrangements for the 1986 Plan

The overall requirement in the development of Shanghai's national economy in 1986 is: While continuing control over the scope of investment in fixed assets and over the rapid increase in consumption funds, we must make great efforts to raise enterprises' economic results, quickly increase our ability to earn foreign exchange through exports, accelerate the establishment of lateral economic ties, make further efforts to balance the economic relations, readjust the enterprise structure, build more basic facilities, ensure an adequate supply to the market, continue to maintain sustained, stable, and harmonious economic development, and strive for further improvement of the people's livelihood.

In conformity with the aforesaid requirements; our city's major tasks in 1986 are: first, on the basis of readjustment of the enterprise structure and development of the tertiary industry, we must make great efforts to transform the traditional industries, develop new ones, and at the same time do well in digesting and assimilating imported technologies; second, we must make great efforts to raise economic results, reduce consumption, improve product quality, conserve funds, and increase revenues; third, we must make still more efforts to open our city to the outside world and other areas of our country, utilize more foreign capital, import technologies, and make huge efforts to export goods and increase our foreign exchange earnings, striving to achieve a greater increase in our exports than last year; fourth, while controlling the scope of investment in fixed assets, we must step up construction of basic urban facilities by improving the investment climate; fifth, we must accelerate the development of intellectual resources and train more qualified personnel by promoting scientific and technological progress; and sixth, we must ensure adequate supplies for the market and stabilize commodity prices in order to elevate the level of the people's material and cultural life.

The main objectives of the 1986 plan are as follows: The whole city's gross national product is targeted at 50 billion yuan, 7 percent more than last year. Of this, the tertiary industry is scheduled for a 12 percent increase over last year to account for around 27 percent of the gross national product. We must further increase economic results. On the basis of the increased labor productivity, the increased proportion of profits and taxes compared to industrial enterprise funds, and the improved quality of major products, we have set our 1986 revenue at 5 percent more than last year. Our planned export volume is U.S. $3,278 million; of this, our city's own export goods will amount to U.S. $2.9 billion, an increase of 816 percent over last year.

Preliminary arrangements for the various 1986 plans are as follows:

a. We will maintain a certain growth rate for industrial and agricultural production to increase economic results.

In industrial production, we have targeted our city's total industrial output value at 87.9 billion yuan, an increase of 6 percent over last year. Of this, the light industrial output value will increase 5.6 percent and the heavy industrial output value, 6.5 percent.

In managing industrial production, we must adhere to the principle of "quality first" and correctly handle the relations between quality and between speed and results. All enterprises must seriously implement the "Regulations on Responsibility for the Quality of Industrial Products" promulgated by the State Council, continue to maintain factorywide quality control, tighten their supervision over product quality, and enforce the system of spot-checking product quality.

In agricultural production, further adjustment of agricultural production will be made on the condition that the major nonstaple foods for the city and the ration grain for peasants must be supplied by Shanghai's sururban counties. Readjustment of the crop structure should be carried in such a way that grain production is stabilized, cotton production is adjusted, vegetable production is maintained, feed crop production is developed, and production of cash crops needed by the market is ensured in order to render a still better service to the city. At the same time, we must make state-run farms a greater success. The 1986 total agricultural output value is targeted to be 4.8 percent over last year.

b. Strictly control the scope of investment in fixed assets and step up construction of the city's basic facilities.

The state has assigned a quota for our city's investment in fixed assets, 4,816 million yuan, of which 2,158 million yuan is for capital construction and 2,658 million yuan for technical transformation. Adding the projects directly under central ministries, projects affiliated with central ministries, and projects of collectives, the city's total investment in fixed assets will be of the same level as in 1985.

Of the capital construction projects to receive investment this year, only 10 percent are new ones. The emphasis of technical transformation is placed on expansion of export products, importation of technologies, and construction of basic municipal facilities. Appropriate arrangements have also been made for such sectors as energy, transportation, finance and trade, agriculture and culture and education as well as the minor three fronts [xiao san xian 1420 0005 4848].

In strictly controlling the investment scale on fixed assets, it is necessary, first to ensure key projects and limit construction of new projects by supplying sufficient funds, materials, and manpower to the former, and by withholding construction of the latter, where funds, materials and other conditions are inadequate. Second, it is necessary to strictly follow the reviewing and approving procedures by ensuring that projects covered under budgetary investment are to be carried out according to the investment responsibility system and within the quota. The letter of planned tasks will not be issued to new projects that have not yet gone through technical and economic feasibility studies; design should not be worked out for projects without an approved letter of planned tasks; and those without an approved design document should be excluded from the fiscal plan. Third, it is necessary to continue to control loans for capital construction by listing those for state capital construction projects under the state credit plan and issuing funds strictly according to the plan. Funds especially raised by units themselves for new projects should only be used for that special purpose after a 6-month deposit period in the bank. Fourth, a contract for a project to import technology or utilize foreign funds can be signed only after supplementary funds and foreign exchange quotas for that project are set.

c. Pay close attention to export trade and properly arrange the domestic trade market.

In 1986 Shanghai's exports will total $2.9 billion, which requires an additional supply of 1 billion yuan in export commodities; and retail sales will total 20.2 billion yuan, 10.3 percent more than 1985, or a net increase of 1.88 billion yuan, which requires an additional supply of 1.5 billion yuan in manufactured goods. In order to ensure supply for domestic and foreign trade, it is necessary to increase industrial production and strive to close the gap between market needs and supply.

d. Further expand economic ties with foreign countries.

The quota set by the State Planning Commission for Shanghai to utilize foreign funds in 1986 is $214 million, in addition to 25 billion yen in bonds, equivalent to $130 million, to be issued by the Shanghai Investment and Trust Corporation. In order to absorb more foreign funds, enterprises capable of repaying funds and earning more foreign exchange through exports should be encouraged to use more foreign commercial loans. In utilizing foreign funds, it is necessary to make adequate prior preparations and conduct special study on the construction plan for major municipal infrastructural and cultural projects. For projects already approved as Sino-foreign joint ventures, for cooperative enterprises with Chinese-foreign partnerships, and for enterprises owned by foreign capital (hereafter called "three capital" enterprises for short) it is necessary to map out an investment plan on fixed assets; and for enterprises already in operation, it is necessary to conduct individual study to help them solve problems in production, operation, or management. The key to balancing the foreign exchange of the "three capital" enterprises is to accelerate the pace of domestic development of imported technology and, at the same time, balance our foreign exchange payment by increasing exports. Central and local governments will extend the necessary subsidy to a small number of "three capital" enterprises that are indeed facing temporary difficulty in balancing their foreign exchange payments.

e. Accelerate the development of scientific, technological, and cultural undertakings.

In science and technology it is necessary to actively develop microelectronics, biological, new materials, and optical fibre communication technologies, and pay due attention to intensifying the study of basic and applied sciences. We should work out projects to serve the needs of industrial technological transformation, the urban infrastructure, and environmental protection, as well as concentrate efforts on projects that can quickly transform technological achievements into export commodities, or can be substituted for imports to conserve foreign exchange. Attention should also be paid to render technical service to small- and medium-sized enterprises and rural industries.

In 1986, Shanghai plans to enroll 30,600 new students in regular schools of higher learning, including 12,900 in local universities; 5,000 new postgraduates, including 650 in local universities' graduate schools; and 24,300 students in secondary specialized schools. While conscientiously implementing the "Regulations on Popularizing Compulsory Education in Shanghai Municipality," we shall strengthen basic education, improve teaching conditions in primary and middle schools, stabilize and replenish the contingent of teachers, raise the quality of education, consolidate, readjust, and develop vocational and technical education, and provide better on-the-job training for the workers.

f. Improve the people's livelihood.

Along with economic advances, we shall improve market supply and keep commodity prices basically stable in order to continually raise the material and cultural living standards of urban and rural residents.

While striving to fulfill the above-listed targets, the municipal government will carry out 15 practical projects closely related to improvement of the people's livelihood.

3. Major Measures for Achieving the 1986 Plan

First, we should persist in restructuring the economic system.

To accomplish the 1986 Plan for National Economic and Social Development, we should, while implementing the guidelines set forth by the Fifth Shanghai Municipal Party Congress, continue to mobilize the people in Shanghai to expedite economic reform firmly, cautiously, and reliably. This year, we must continue to do a good job in consolidating, assimilating, replenishing and improving the various reform projects draw up our plans on the basis of conducting indepth investigation, and be fully prepared for making new steps of reform in 1987 and 1988.

The essential task in restructuring the national economy with the focus on the urban economy is to reinvigorate our enterprises, especially the large- and medium-size state-owned industrial enterprises. In 1986, we must continue to implement the instructions of the CPC Central Committee and the State Council about giving our enterprises greater decision-making power and reinvigorating the large- and medium-size state-owned industrial enterprises, and continue to take internal and external measures to create necessary conditions for this purpose. Commercial enterprises should continue to enliven commodity circulation by reforming and diversifying their operation, which includes opening more channels and eliminating nonessential work.

We should also take positive steps to promote lateral economic ties according to the requirements set for a planned commodity economy.

While continuing to enliven microeconomic activities, we must intensify and improve macroeconomic control. First of all, we should improve our planning. According to the requirement of reducing the scope of mandatory plans, we should gradually shift the focus of our work to carrying out indirect control with economic policies and economic means. Second, we should reinforce the departments which supervise auditing, commodity prices, statistics, measurements, standardization, and business administration, establish and improve economic supervisory organs, and intensify economic legislation and the enforcement of economic laws. Third, we should set up an economic information system so that we can improve our work in the area of making economic forecasts, and of collecting, distributing, sorting and analyzing economic information; and so that we can provide prompt service and guidance for making economic decisions.

Second, we should take positive measures to deal with shortages of energy and major raw and semifinished materials.

To solve the electricity issue, we should combine our short-term and long-term plans so that we can meet short-term needs and permanently deal with the problem. Presently we are negotiating with relevant departments for the purchase of extra fuel oil so as to generate more electricity to meet actual needs. Meanwhile, we must conserve power consumption, properly schedule power use, and accelerate the construction of the projected substations so that they can be completed and put into operation ahead of schedule.

To make up the shortage of major raw and semifinished materials, we must take positive and effective measures to broaden resources and conserve consumption. We should make every effort to secure the resources distributed by the state by doing a good job in placing orders for the goods, pressing for their delivery, and providing the needed transportation service. We should also impart part of the raw and semifinished materials by using our foreign exchange. We should also promote international cooperation projects, such as processing on order and compensatory trade, and take active measures to secure and increase the output of extra resources through all channels. We should continue to conserve the consumption of raw and semifinished materials, including electricity, by using alternatives, fully using our resources, reducing per-unit consumption in manufacturing goods and in construction, and introducing proper measures for encouraging the conservation of resources.

Third, we should make an effort to improve the extension of credit and credit management, and balance foreign exchange revenues and expenditures.

Under the circumstances that credit funds are strictly controlled throughout the country, the supply of credit funds will still be tight in Shanghai this year. In order that economic development will not be affected by availability of credit funds, we should, under the principle of handling each case on its merits and assisting the promising projects, give priority to extending credit funds needed for the production and procurement of goods that can bring in foreign exchange, and goods which are in high demand on the market, and for the procurement of agricultural and sideline products produced under government plan. No loans will be extended to those enterprises who economic performance is poor, whose products are unsellable, and which have a large inventory of unsold products. Loans that have already been extended to the enterprises should be withdrawn within a specific time.

According to the 1986 plan for foreign exchange revenues and expenditures, the amount of foreign exchange available to various bureaus will remain the same as that of 1985, but Shanghai's collective foreign exchange expenditure will be 20 percent lower than that of 1985.

Fourth, we must effectively improve business management.

The basic requirements for improving business management include: first, restructuring the enterprises' leadership system by giving their directors managing power; second, improving the system which safeguards the economic responsibility system as well as ideological and political work; third, simultaneously paying attention to technology and management so that the quality of products can be constantly improved, the consumption of resources can be conserved, and the enterprises will have a greater capacity for improvement and development.

Socialist material construction and socialist spiritual construction are interdependent, and they help each other progress. While promoting material construction, we must exert great efforts to promote spiritual construction.

The year 1986 is the first year for implementing the Seventh 5-Year Plan. The accomplishment of the projects set for 1986 is of great significance for carrying out the strategy for achieving economic growth in all sectors in Shanghai, and for promoting Shanghai's economic development. Under the party's leadership, let us unite as one, work with one heart and one soul, be determined to keep forging ahead, work conscientiously, and struggle for accomplishing all the projects set for 1986.

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CSO: 4006/1045

PROVINCIAL AFFAIRS

CURRENT STATUS OF ECONOMIC REFORM IN YUNNAN

Kunming YUNNAN RIBAO in Chinese 18, 25 Oct 85

[18 Oct 85 p 3]

[Text] I. Reform The Only Way Out

A frontier province, Yunnan is out of the way and culturally backward. Before the 3d Plenary Session of the 11th CPC Central Committee, we did a lot of work and obtained considerable achievements, but peasants in certain parts of the province still did not have enough to eat or wear. Economic growth was slow, with the agricultural sector in particularly deep distress. Some localities languished in a state of primitive agriculture, still practicing slash-and-burn cultivation, and had exceedingly low productive forces. For the province as a whole, what we had was basically a closed, small-scale peasant economy. We did not produce enough grains and oil and had to buy them in vast quantities from other provinces. Agriculture was a serious stumbling block to the economic growth of the province. With its outdated equipment, backward management, low technical standard, unskilled workers and dismal productivity, the province's industrial base was shaky. Year after year iron and steel production lost money. Raw coal output failed to go up as a result of a longstanding disequilibrium between reserves and excavation. Light and textile industries were hopelessly out of touch with public needs. They churned out old-fashioned, inferior but expensive products lacking in variety. Even these goods were not produced in sufficient quantities to meet demand, resulting in widespread commodity shortages. There were large numbers of people in towns and villages waiting for jobs. People lived in straitened circumstances. As was the case nationwide, the basic reason for this situation was the problems long plaguing the national economy: proportionate imbalances, mismatch between production and demand, low economic results, gross waste and losses. All this, in turn, was part and parcel of the serious shortcomings of our economic system. Our former economic management system was fraught with problems. For instance, in state-enterprise relations, there was over-centralization by the state and enterprises were controlled to death. Lacking the autonomy that was due them, they had little power in such areas as planning, production, materials, labor and finance. No distinction was made between well-run enterprises and those which were mismanaged. The profit of an enterprise also bore no relation to the worker's material interests. As a result, enterprises tended to be complacent and uncompetitive. As their supply, production and marketing had nothing to do with one another, in the same way that production was divorced from demand, enterprises failed to adapt to changes in the national economy, in people's livelihood and in the domestic and international marketplaces. Distribution was heavily influenced by egalitarianism. There was no clear-cut division of labor between departments and jurisdictional confusion was rampant. Administrative organizations were over-staffed, administrative levels overlapped one another and efficiency was low. On the whole, the economic management system was over-centralized and over-regulated. Financial power was centralized. There was a state monopoly over the purchase and sale of materials. Foreign trade was strictly controlled. The idea of "eating off the common rice pot" was widespread. There was no regard for economic results. Ideologically we denied the existence of a commodity economy under a socialist system of public ownership. By doing so, we in effect rejected the law of value. The result was that the prices of many commodities reflected neither value nor the supply-demand relations, distorting our evaluation of the management and economic results of enterprises and adversely affecting the development of commodity production and exchange. All this has stifled enterprises' and workers' initiative, enthusiasm and creativity. In short, then, our economic system followed a model incompatible with the development of social productive forces. We must put an end to this situation with determination. Without reform, we will not be able to perfect socialist production relations and the superstructure and better adapt them to the development of productive forces. Without reform, we will not be able to speed up the four modernizations. Without reform, we will not be able to achieve socialism with Chinese characteristics. In a word, without reform, we have no future. Reform is the inevitable historical trend. In 1978, the CPC Central Committee convened the 3d Plenary Session at an opportune moment where it laid down the Marxist guiding principle, "Liberate ideas, use our brains, seek truth from facts and unite as one as we face the future," and resolutely decided to shift the focus of our work toward economic construction. It defined our task as one of "adopting a series of new and major economic measures and conscientiously reforming the economic management system and management methods in accordance with the new historical conditions and practical experience." Soon afterwards it put forward a sound policy which calls on us to "rectify, reform, restructure and improve" the various sectors in the national economy. The "Resolution of the CPC Central Committee on Certain Historical Issues in the Party since the Founding of the PRC" also points out, "It will take a long process for a socialist system to move from imperfection to perfection. This requires that even while upholding the basic socialist system as a prerequisite, we must strive to reform specific systems unsuited to the development of productive forces and incompatible with the people's interests, and firmly struggle against all activities detrimental to socialism. As our enterprise develops, the overwhelming superiority of socialism will become more and more evident."

Guided by the series of policies, including "domestic economic invigoration and the open door policy," determined in succession by the CPC Central Committee, cities and villages in Yunnan have gradually taken the first steps toward restructuring the economic system. The joint production contracting responsibility system has been implemented in the vast countryside. In cities, experiments were carried out in the expansion of enterprise autonomy. With a few years' experience behind us, we now begin to understand anew a host of crucial issues. In particular we have clarified two concepts in both theory and practice. First, a planned socialist economy and commodity economy are not mutually exclusive. Socialism should also develop a commodity economy. Second, economic control should go hand in hand with the price mechanism. Economic planning can either be mandatory or serve as a guide. In October 1984 the 3d Plenary Session of the 12th Central Committee was convened which approved the "Resolution on Restructuring the Economic System." This resolution sets out some major decisions pertaining to various aspects of the restructuring of the economic system, including its significance, nature, direction, mission, principles, policies and methods. Systematically and profoundly it explains that the only way China can vitalize its national economy is to reform its existing economic management system. It presents to the whole party and to the entire people a blueprint for wholesale reform. The "resolution" breaks with outdated traditional ideas on some critical theoretical issues. It is a programmatic document that guides us as we restructure the economic system and build socialism with Chinese characteristics.

Recently Comrade Deng Xiaoping repeatedly emphasized, "If we do not go in for reform, if we do not adhere to the open door policy, we will not be able to accomplish the strategic goals of economic development which we have set for ourselves. We must pursue reform and the open door policy. We must not change our minds. If we do, we will be doomed. I believe our policy will succeed."

II. Reform And Its Results

In line with the spirit of the CPC Central Committee, our province, like the rest of the nation, has gradually introduced a series of reforms since the 3d Plenary Session of the 11th CPC Central Committee and obtained remarkable results.

Reform Begins in the Countryside and Gradually Spreads to the Cities

In the countryside we have carried out a number of policies to lessen the burden on peasants and give them a respite from their hardships. Procurement prices for agricultural and sideline products have been raised and the family joint production contracting responsibility system has gradually been put into effect. At the same time, the people's commune system has bee overhauled; several hundred million mu of collectively owned land in barren, wooded and grassy areas in the mountains were contracted out to households. The ownership and raising of large livestock is now privatized. Inside state-run farms, tree centers, pastures and fishing grounds, family farms were set up and various forms of production responsibility systems instituted. Peasants are encouraged to dig a pond and keep fish or put up an orchard on the land contracted out to them. The number of rural country fair trade points was increased and urban agricultural markets were started. Peasants were given guidance and encouraged to go into mining on their own or in conjunction with other households. They were encouraged to enter the cities and set up their own businesses. Special policies were adopted for impoverished areas and localities inhabited by minorities to speed up their economic and educational development. The abolition of the state monopoly over purchase and marketing, in particular, was warmly welcomed by the peasants.

In cities, we began reform by zeroing in on the managerial autonomy of enterprises. We first tackled state-run industrial and commercial enterprises and then gradually moved onto commercial circulation, finance and other economic areas. There have been 13 major reforms since early 1979.

(1) Actively experiment in enterprise autonomy expansion. At the beginning of the experiment, autonomy expansion essentially revolved around four aspects: first, expanding an enterprise's production planning power, ie., giving it the power to increase the output of popular products, to look for raw materials and to sell on their own products in excess of the planned target. Second, expanding its financial power. Specifically, an enterprise is now authorized to retain a portion of its profits in accordance with approved procedures and combine the three funds, namely, the depreciation, major repair and production development funds. Third, giving it a certain measure of power to reward and punish. In other words, the enterprise now has the power to use the reward fund in a reasonable manner and within approved limits. It can reward and promote workers with outstanding contributions and dismiss employees guilty of discipline violations or dereliction of duty. Fourth, giving it definite personnel autonomy. It is now empowered to determine its internal organizational setup and appoint and remove cadres at the middle level and below. Some enterprises also experimented with the election of workshop cadres and cadres at the factory level and implemented a system of work-related subsidies on a trial basis. After 1981, this experiment in enterprise autonomy expansion further developed into an economic responsibility system which combined responsibility and power with benefits. Last year, the State Council promulgated the "Provisional Regulations on Further Expanding the Autonomy of State-Run Enterprises" which gave large and medium-sized enterprises additional power and imposed an eight-tier progressive tax on small state-run industrial and commercial enterprises which can now be run like a collective enterprise under state ownership. Some may elect to switch to collective ownership while others are allowed to be rented out to collectives or individuals.

(2) In restructuring the financial system, we began with four preliminary reforms. First, as far as the financial relations between the province and the state are concerned, we eliminated the shortcomings of centralized state control on expenditures and income. Instead we took 1979 as a base and worked out subsidies for a period of 5 years during which they were to remain unchanged. The second reform had to do with the financial system of the various regions, prefectures and municipalities. Parallel with the relations between the province and the state, we implemented a system of subsidies with regard to the four border nationality autonomous prefectures, Diqing, Nujiang, Dehong and Xishuang Banna. As for the other 13 regions, prefectures and municipalities, expenditures and revenues are differentiated with the excess income to be retained by the localities or divided between them and the province. Organizations at the provincial level are to be responsible for their own administrative expenses. Any income in excess of expenses can be kept by the organizations for their own use. By a variety of mechanisms,

enterprises have been given greater autonomy in the use of their own funds. They are made accountable for their own profits and losses. Based on the State Council's overall plan, we took the first steps toward replacing profits with taxes early last year. The next step occurred in late 1984 when a tax system on enterprises was written into law. As a result, enterprises have greater control over the use of their after-tax profits. Fourth, we experimented with a compensatory use system of fixed capital and circulating capital, thereby increasing the efficiency with which capital is used.

(3) Wages and incentives. In 1978, we instituted in state-run enterprises a system under which bonuses were determined in accordance with a specified formula depending on the size of the overall payroll. This system applied when the enterprise had successfully fulfilled their state plan. In 1979, bonuses calculated in accordance with the enterprise's economic results were handed out in enterprises implementing pilot projects in autonomy expansion. In 1981, bonuses were made to fluctuate with the amount of profits turned over by an enterprise to the state. In this way a steady increase in state revenues was ensured, the principle of punishing laggard enterprises and rewarding good ones was realized and workers' enthusiasm for increasing output and hence income was mobilized. In 1983 we took yet another step forward by removing the ceiling on bonuses and taxing the excessive amount. Concerning the distribution of bonuses within enterprises, we introduced an array of methods, such as calculating bonuses in accordance with percentages, floating wages and piece rate wages, etc. This year we also demanded that enterprises relate their total payroll to their economic results as a way of reforming the wage system.

(4) Reforming the leadership system in an enterprise. The factory director responsibility system under the party committee has replaced the factory director division of responsibility system under the party committee. In 1982, the CPC Central Committee successively promulgated three sets of provisional regulations pertaining to the party committee in an enterprise, the factory director and workers' representative assembly respectively. The factory director began to assume overall responsibility for an enterprise's production and operational activities. One after another a majority of enterprises established workers' representative assemblies. A small number of enterprises also experimented with a factory director responsibility system under the leadership of the workers' representative assembly. Their experience paved the way for the implementation of the factory director responsibility system across the board this year.

(5) An open circulation system which consists of a multitude of channels but fewer links is being tried out. At the same time as some businesses and enterprises experimented with autonomy expansion, a large number of agricultural and sideline products were being removed from the grip of the state monopoly over purchase and marketing. Instead the purchase and marketing of industrial articles of daily use is now governed by seven methods. They may be purchased by the state. They may be purchased by the state in accordance with a plan. They may be purchased in accordance with fixed quotas. They may be freely selected and purchased. They may be bought and sold for the state on a commission basis. Industrial and commercial enterprises may come together for joint operations. Finally they may be sold

by the enterprise itself. The range of merchandise and scope of operations of retail businesses have also been broadened. Since last year the wholesale system has too been reformed with a reduction in the number of circulation links. In the future the state will rely mainly on state-run wholesale organizations to manage the market in accordance with a plan. At the same time, building on the existing two-grade stations, it will gradually establish a number of specialized trade centers, which, in turn, will lead to the establishment of comprehensive industrial product trading centers. The Kunming trade center plans to set up 12 commodity exchange markets. Supply and marketing cooperatives at the grassroots level have reverted to collective ownership from ownership by the whole people. Instead of being run by the government, they are now privately-run. In addition, supply and marketing cooperatives have been set up in border nationality areas formerly lacking such facilities.

(6) The co-existence of a multitude of economic forms and various operating methods. The state sector of the economy remains the dominant element, but more freedom is now given to the collective economy in the countryside and urban areas. The individual economy is also allowed to develop in an appropriate way. In the past few years we have liberalized our policy toward the collective economy. First, we have cut taxes and exempted some enterprises from taxation, going out of our way to help new enterprises and those set up to accommodate jobless youth. Second, we have raised the income tax exemption to 3,000 yuan. Third, we have either reduced or abolished contributions to the cooperation enterprise fund. Fourth, collective enterprises may use 10 to 15 percent of their after-tax profits as bonuses for distribution among their workers, provided no bonus exceeds a worker's 2-month wages. Policies on individual households were likewise liberalized. The provincial government has successively promulgated 10 regulations on the imposition of fees on individual industrial and commercial households. As a result, Yunnan's collective economy, particularly rural and township enterprises, has been able to make substantial progress. Urban and rural individual households and new economic joint organizations have mushroomed. As of mid-1985, there were 310,000 individual industrial and commercial households in Yunnan, consisting of 460,000 people.

(7) Reforms in the planning and management system. The planned economy still takes center stage, but it is now supplemented by market regulation. The scope of command planning is being narrowed gradually while a large number of products now fall under guidance planning. Articles of daily use, meanwhile, are to be regulated directly by the marketplace and their prices decontrolled. In this way the state maintains its grip on products which impinge on the national economy while the marketplace has been able to play its part. Since last year there has been an ongoing effort to "decontrol" prices, expand the scope of guidance planning and make better use of the marketplace as a regulator. An enterprise can market on its own its output in excess of the quota in the plan. The prices of industrial means of production marketed independently by an enterprise are allowed to fluctuate within set limits. This year price control on certain agricultural and sideline products was further relaxed. On 1 April, we even adjusted the rates for vehicular transportation, now to be calculated in accordance with the route traveled.

Banking reforms. We have increased interest rates on deposits several times, expanded credit services, begun trust services and experimented with investment in capital construction projects and technical modernization. From 1980 onwards, loans have been made on a trial basis to some sugar-manufacturing, light industry and textile enterprises which used to rely on state appropriations. For a fee they can now use the loans to make investments. In the process we solved the problem of insufficient state investments at a time when funds were desperately needed in some industries for development as well as increasing the efficiency with which funds were used. This reform has been instrumental in exploiting Yunnan's economic superiority in the cigarette and sugar industries.

(9) Reforms in labor and personnel systems, including the decentralization of cadre management power. Last June the provincial government approved and circulated a provisional regulation drawn up by the provincial Labor and Personnel Department on the implementation of a labor contract system and demanded that all state-run enterprises, institutions and organizations adopt the contract system when they hired people covered by their labor plans, except in cases where one or two people were hired. In August 1984, the provincial party committee approved and circulated 14 comments by its organization department pertaining to certain issues on the cadre management system and decentralized cadre management power. Henceforth the provincial committee will concern itself only with the major leading cadres in provincial-level departments, various prefectures and municipalities, institutions of higher education and large enterprises.

(10) Two reforms took place last year in the economic management system. First, the county (municipal) economic management power was further increased. The provincial party committee and the provincial government resolved that beginning in March this year, every county in Yunnan was to be responsible for finance, grains and major agricultural products. The planning and personnel management powers of counties were augmented. Second, provincial departments and bureaus would no longer run enterprises directly. In most cases, the management of provincial enterprises would be the responsibility of central cities. The purpose of this reform is to make better use of cities as economic centers and of provincial departments and bureaus as functional arms of the government. Furthermore, based on the principle of specialized cooperation, we have reformed the enterprise management system in the central cities on a trial basis and established specialized companies and joint enterprises.

(11) Since last year, we have made the reform of the construction industry a pacesetter for urban reform and introduced four changes. First, establishing a system under which a person is held responsible for a project. Second, adopting open bidding for design projects. The unit which undertakes to do a project will be governed by a responsibility system complete with penalties and rewards. Third, adopting open bidding for engineering projects to break the monopoly in the construction industry. Fourth, applying to all enterprises in the construction and installations business a responsibility system with no ceiling and no minimum.

(12) The old closed economic system has experienced some preliminary changes. As we continuously deepened our understanding of the importance of the open door policy, we have also effected a transition to an open system by strengthening cooperation with other provinces, consolidating horizontal economic ties with various regions within the province and concluded a large number of import contracts with other nations, Hong Kong and Macao. The provincial party committee has also decided to relax restrictions on small-scale border trade, allow adjustments in trade volume depending on the actual circumstances, and decentralize the power to examine and approve applications for entry and exit permits. The old restrictions that limited trade between border people to within an area of 20 kilometers and below 20 yuan were set aside. Approval was also given for the establishment of three border markets at Mengding in Gengma County, Fengweiba in Zhenkang County and Wangkaba in Cangyuan County.

(13) To implement the policy on intellectuals and improve salary and other conditions for scientific and technical personnel, Yunnan has reversed numerous unjust verdicts, cleared many people of fabricated charges and launched a job evaluation exercise. The province has reviewed and assessed the titles of 118,241 scientific and technical cadres of the rank of assistant engineer and above. In 1983, the provincial party committee and provincial government came up with 16 regulations to further improve the working, learning and living conditions of scientific and technical personnel and unleash their initiative.

Reform Produces A New Phenomenon of Sustained, Stable and Balanced Development In The Yunnan Economy

In recent years, the restructuring of the urban and rural economic systems in Yunnan has achieved striking results, powerfully mobilizing public enthusiasm for building socialism and setting free their production forces. The strategic breakthrough in rural reform, in particular, not only gave the rural economy a powerful push in the direction of commercialization, specialization, modernization, the comprehensive development of agriculture, animal husbandry, forestry and fishery, and the integrated development of agriculture, industry and transportation, but also effectively propelled the restructuring of the urban economic system and the entire national economy. Things are getting better each year.

The province's economic development situation in 1984 was the best ever since the 3d Plenary Session of the 11th CPC Central Committee. Total industrial output value, which was only 3.059 billion yuan (in 1970 constant prices) in 1976, burst through the 10 billion yuan barrier to reach 10.86 billion yuan, up 15.5 percent over 1983. This is a major achievement on the industrial front, the result of many years of struggle by vast numbers of cadres and workers. Total grain production exceeded 20 billion jin and hit 20.1 billion jin, a net increase of over 1 billion jin, another remarkable feat. For years the province's grain production stubbornly hovered around 15 billion jin. How eagerly did everybody look forward to food self-sufficiency. Today, although our per capita grain supply was only 600 jin, still a good distance from the national average of 800 jin, we have come a long way from the days when we often wondered where the next meal was going to come from. Government revenues reached 1.97 billion yuan, an increase of 14.9 percent over the year earlier, and a jump of close to 2.9-fold over the 1976 figure of 508.33 million yuan. Total industrial and agricultural output value of the province reached 18.3 billion yuan, for an average annual increase rate of 11.1 percent for the past 4 years. National income was 12.2 billion yuan, for an average annual increase rate of 11 percent. The value of social commodity retail sales stood at 7.37 billion yuan, for an average annual increase rate of 14 percent of the past 4 years. Total agricultural output value has been expanding at the average annual rate of 10.2 percent during the same period. Turning to industry, the output values of light industry and heavy industry have been growing at the average annual rates of 14.7 percent and 9.3 percent respectively. In other words, agriculture, light industry and heavy industry have been developing in a fairly coordinated way. In 1978 the overall labor productivity of industrial enterprises owned by the whole people was a mere 7,779 yuan. By 1984, however, it had soared to 11,849 yuan, no mean feat. Since the 3d Plenary Session of the 11th CPC Central Committee, the ratio between accumulation and consumption has achieved a degree of rationality. In 1978, the accumulation rate was 34.6 percent. After 1981, the accumulation rate has basically been contained at about 30 percent (29.4 percent in 1981, 29.8 percent in 1982, 28.9 percent in 1983 and 31.6 percent in 1984.) This kind of accumulation rate is in line with the province's realities. Yunnan's closed economic system has taken the first steps toward becoming an open system. Since the 3d Plenary Session of the 11th CPC Central Committee, Yunnan has successively concluded contracts and agreements with over 10 countries and regions. This year alone we have clinched deals worth $300 million. In addition, the province has launched 3,509 economic and technical cooperation projects with 19 provinces, autonomous regions and municipalities directly under the central government, which are expected to raise funds totalling 300 million yuan for the province. According to data from 32 enterprises which have carried out such projects, their annual profits have increased by almost 30 million yuan. In Chuxiong Prefecture, nine enterprises receiving aid doubled their output value and profits in less than 1 year. Today all regions, prefectures, municipalities and counties are full of enthusiasm for the open door policy and economic cooperation. Of the localities, 17 regions, prefectures and municipalities and 57 counties have established agencies specializing in cooperation, many of which have issued announcements declaring an open door policy, introducing their strengths and publicizing preferential policies aimed at attracting capital, technology and qualified personnel.

The livelihood of the masses, whose earnings have been rising every year, has been improving continuously. According to a sample survey by the statistics department on 610 peasant families in different parts of the province, per capita income in 1984 was 310.4 yuan, 43.8 yuan more than in 1983. A study by the provincial agricultural bank on 570 households shows that per capita income in 1984 was 296.29 yuan. All this proves that the standard of living of the masses of peasants has visibly improved. Using a variety of approaches, the province placed altogether 310,000 unemployed people in jobs over the past 4 years, or almost 80,000 per year, thereby reducing the average number of dependents per worker from 2.03 in 1980 to 1.8 in 1984. The total wages of a worker at an enterprise owned by the whole people have been rising at an average annual rate of 9.7 percent. In 1984, workers' per capita earnings from wages reached 1,049 yuan, an increase of 267 yuan over 1980. Although the workers' cost of living index has been going up fairly rapidly, the real income of every worker still comes out ahead, as borne out by the excess of demand over supply for high-grade consumer goods. Savings deposits in both urban and rural areas, which have been increasing continuously, were worth 2.2 billion yuan at the end of 1984, up 37.5 percent over the end of 1983, or 3.2-fold over 1980. The figure of 2.2 billion yuan rose a further 440 million yuan by the end of June 1985. Studies show that in the first half of this year, per capita savings deposits in urban and rural Kunming reached 565 yuan. An unprecedented phenomenon has appeared: it is not easy to deposit one's money in a bank, and the public has been critical of the need to join long queues in order to make a deposit. In 1984 new housing construction in the province amounted to over 14 million square meters, of which more than 11 million square meters are rural housing. Over 210,000 peasant households built new houses, another eloquent piece of evidence that people nowadays are living better.

The changes in the countryside and in the cities brought about by reform are there for all to see. The people have benefited in tangible, practical and concrete ways. In their heart of hearts the masses are grateful for the party's sound policies. Examples of profound changes are too numerous to be mentioned one by one here. There was a village in Gudixiang, Gudi District in Binchuan County which was dubbed "Gandicun" because it suffered from drought year in year out. A few years back the village was dirt poor; of the 20 households in the village, half were "impoverished households." Since last year, it has been adjusting its product mix. This year per capita income went up more than 100 yuan over last year, recently 9 families were putting up new houses, and 12 households purchased large livestock. Even the "impoverished households" have bought watches and radios. Reform has brought hope and vitality to enterprises. The Tonghai County Arts and Crafts Factory is a small collective enterprise with an output value of merely 120,000 yuan in 1980. Last year, however, it boosted its output value to 7.26 million yuan, a rare achievement among collective enterprises in Yunnan, and was commended by the provincial leadership. Kunming Plate Glass Factory operated in the red for 9 consecutive years before 1979, a heavy burden for the enterprise. After the 3d Plenary Session of the 11th CPC Central Committee, the provincial government made the factory a test site for its experiment in enterprise autonomy expansion. That very year, 1979, the enterprise turned itself around and came up with a profit instead of a loss. As reform become more and more far-reaching, its output also went up year after year, as did its economic results. By 1984, the plant has finished 1,239,000 crates of plate glass, exceeding the state target by 21.4 percent, and earned 10.3 million yuan in profits. Overnight it became one of the enterprises in the province with 10 million profits.

Since the beginning of this year, our province has conscientiously been implementing Circular No 1 (1985) of the CPC Central Committee and Comrade Hu Yaobang's important instructions which he gave us when he toured Yunnan. Driven by party rectification and reform, the province's economy has continued to grow in a sustained, stable and coordinated way. The restructuring of the rural economic structure has borne its first fruits. A sample survey conducted by the statistics agency earlier this year on 2,400 peasant households shows that the per capita cash income among peasants has risen noticeably in the plains, semi-mountainous and mountainous regions over the corresponding period in 1984, from 120.86 yuan to 163.35 yuan, from 86.25 yuan to 118.97 yuan, and from 62.83 yuan to 75.21 yuan respectively. Moreover, the earnings of peasants who have gone into the building and tertiary industries have gone up markedly. Jinding District in Lanping County, for instance, was an infertile and impoverished mountain area. This spring it drew up a plan to get rich, and while basing itself on grain production, made a concerted effort to develop cash crops, aquaculture and late autumn cultivation. Although it was plagued first by drought and later flood, it still managed to increase total late autumn grain output by 2 percent compared with the year earlier. At the same time, it has organized a 2,000-member labor force to undertake mining in the mountains and started various projects in an array of industries, but mostly in transportation, building and commercial services. By broadening the avenues to wealth, it has achieved a remarkable record. In the first half of 1985, the entire area's rural economy took in 3.35 million yuan in earnings, an increase of 75 yuan per capita. For the province as a whole, total industrial output value for the first half of 1985 reached 5.96 billion yuan, a rise of 18.9 percent over the corresponding period in 1984. Moreover, we succeeded in accomplishing more than half of our tasks in over half the time. Within the industrial sector, light industrial output value grew 21.8 percent, faster than that of heavy industry. Collective industry expanded 26.7 percent, faster than industry owned by the whole people. Rural and township enterprises grew even more rapidly, more than doubling their output value over the first half of 1984. As for state enterprises, their output value, sales earnings, profits realized and profits turned over to the state are estimated to have risen by 21 percent, 22.8 percent, 36.7 percent and 27 percent respectively and will continue to advance at the same pace. Government revenues reached 1.11 billion yuan, an increase of 28.3 percent.

Comrade Zhao Ziyang has pointed out in the "Instructions on Drawing Up Proposals for the 'Seventh 5-Year Plan,'" "The primary purpose of our economic work in the past was to keep the people fed and clothed. Today the consumption pattern and industrial structure have changed considerably. As a vital stage in the improvement of China's economic standard, the days ahead will see the beginning of a shift from the staving off of hunger and cold to the pursuit of a moderately comfortable standard of living so that our people can be relatively well off by the end of the century." Experience proves that reform is in line with the basic interests of the vast majority of the people in the province and is therefore supported by the various nationalities.

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III. How To Interpret And Solve The New Issues Which Have Emerged During Reform

The Situation In The Past Few Years Has Been The Best Ever Since The Founding of the PRC

That we have been able to obtain the above achievements is because we conscientiously implemented the resolutions of the CPC Central Committee on restructuring the economic system, carried out thoroughgoing reforms, opened ourselves up to the world and invigorated the domestic economy. The situation brought about by reform has indeed been excellent, better than expected. But the aim of reform is to build a dynamic, vital socialist economic system with Chinese characteristics, a formidable and complex piece of social engineering and a revolutionary change. This social change has no existing model to copy. We can only explore and review our experience as we go along. Talking to foreign visitors about China's economic reform, Comrade Deng Xiaoping said, "Of course, there will be twists and turns, even mistakes of varying degrees of gravity, in the course of reform, but that does not matter. As soon as we make a mistake, we will correct ourselves. If one approach does not work, we will try another."

As reform became more thoroughgoing, many problems have indeed appeared. For instance, there are energy and raw material shortages. Transportation and communications have come under intense pressure. Our industrial structure and product mix are not rational enough. Since the second half of 1984, particularly since the four quarter, industrial production has been rising too sharply, capital investments too high and expansion in credit and consumption becoming overheated. Some prices increases have been excessive. In short, new elements of instability have emerged in our economic life. These problems are clearly objective facts. Certain party and government organs and their cadres have set up phony companies under various labels by virtue of their public authority, bought and resold at a profit commodities in short supply, and engaged in fraudulent practices for selfish ends. Some state-run industrial and commercial enterprises have jacked up the prices of their merchandise at will. All these and other unhealthy trends have provoked strong public reactions and severe criticisms, and rightfully so.

What then are we to make of the present situation? Is it good or bad? We must assess it correctly. How to analyze a situation is a big part of Marxism. Correct principles and policies spring from the correct analysis of a situation. Since the 3d Plenary Session of the 11th CPC Central Committee, the party has analyzed the situation realistically and soberly and put forward correct policies. Like the rest of the nation, Yunnan's situation has been the best ever since new China was founded. The economy turned out to be stronger than expected. The masses' standard of living has gone up measurably. Unemployment, an intractable problem for years, has been successfully resolved. Stability and unity are being consolidated by the day. The reform is proceeding in the right direction and things are looking up. This is the essence of the present situation. If we fail to see that, we will lose confidence and become confused. Moreover, we should see that whatever problems existing at the moment are problems which have arisen in the course of progress. Compared to our remarkable achievements over the past few years, they are relatively minor. Some of them are unavoidable during reform and can be solved only through reform. Others happened because a particular measure was not carefully thought out beforehand or because after-the-fact investigation was less than thorough. We should learn from these mistakes. We must remain clear-headed. When we are blind to problems and difficulties, we may also make mistakes -- through incaution. There was a time in the past when we were sober as long as things were rough and became unrealistically optimistic once the situation got better. This lesson we must bear in mind.

On the other hand, we must not overemphasize the existing problems so much that we forget the chronic maladies under the old system. Consider this: What would we have done had there been no reform? Going back to the old days when we clung to the iron rice bowl and spent our days in poverty? That will not do. Stagnation and adherence to outworn ideas offer us no future. Even more hopeless is retreating as soon as we run into difficulties. We must have the courage to face up to problems which have emerged in the course of reform, adopt decisive measures aimed directly at them, and energetically search for solutions. Only such is the attitude of a communist. Some comrades are worried that our reform will lead to capitalism. That certainly will not happen. Comrade Deng Xiaoping told the National Party Congress, "We insist on two basic principles throughout reform: that the socialist economic system of public ownership remains our mainstream, and that we prosper together." As long as we adhere to these two principles, we will be able to ensure that socialism will not regress into capitalism.

Unstable Elements in Economic Life Can Be Removed Gradually

What is to be done about the existing problems? First, we must persevere with reform, especially the strengthening of macroeconomic control and management. Second, we must firmly stamp out the unhealthy trends.

Reform is the self-improvement and self-development of China's socialist system. Each and every one of our reforms has advantages and disadvantages; there is just no perfect reform. In the process of reform, old problems are got rid of only to be replaced by new ones. The only thing we can do is to tackle the new problems one by one as we gradually make our reform more far-reaching and better over time. Microeconomic invigoration is reform, as is macroeconomic management. In the past we understood little about the latter, hence we need to emphasize it now. The strengthening of macroeconomic control and management is also motivated by a desire to develop the excellent situation and ensure the smooth progress of reform and development. In the earlier period, we have done much to control the scale of investments in fixed assets, essentially the size of capital projects, the rate of growth of industrial output and consumption and to strengthen tax collection, credit and foreign exchange control. The economic situation from last January through August was better than expected. Problems which appeared for a while since the last quarter of 1984 -- sharp increases in investments in fixed assets, consumption and credit; excessive price hikes and the drop in the nation's foreign exchange reserves -- have slowly been brought under control. Industries which have been growing inordinately fast have slowed down; the growth rate of enterprises owned by the whole people, in particular, has returned to normal. All this demonstrates that problems are being solved.

The New Unhealthy Trends Are Not Caused By Reform

The healthy development of our great reform movement hinges on the correction of the unhealthy trends, which therefore must be given full attention. Now some comrades believe that these trends are caused by reform. They are mistaken. The new unhealthy trends has both historical and immediate roots. Their historical roots are the various lingering decadent ideas inherited from the feudal exploiting class of the old society. Their immediate cause are the invasion by corrupt foreign capitalist ideas and practices at a time when the country is being opened to the world. But essentially the new unhealthy trends are caused by something else. First, some of our party organizations, weak and lax, have neglected ideological and political work and the construction of the spiritual civilization. As a result, some party members and cadres lacking in party spirit were corrupted by decadent feudal and bourgeois ideas and, taking advantage of the opportunities provided by reform, indulged in an orgy of wrongdoing. Second, the present reform movement covers a vast area, from the economic base to the superstructure and including ideology, and involves very complex issues. The dismantling of old rules and regulations and the establishment of new ones requires a period of time. Meanwhile, reform's own imperfections often manifest themselves as loopholes and gaps readily exploited by those people eager to abuse their public office for private gains. There is no inevitable cause-effect relations between the present unhealthy trends and reform. If all party members and cadres take a firm party stand politically and ideologically, make stringent demands on themselves in accordance with the party's goals, recognize and resist all kinds of behavior that abuses public office for personal gains, then the remnants of the feudal ideology, decadent bourgeois ideas, the imperfections of reform and so on will in no way lead to the spread of unhealthy trends. Amid reforms to invigorate the economy, Comrade Ma Shengli [7456 0524 0448] of the Shijiazhuang Municipal Paper Products Company in Hebei upheld the party principles and correctly tackled the relations between the enterprise and the state, between the enterprise and consumers, between the enterprise director and the party organization, and between the director and the masses. He deals with matters involving public and private interests uprightly and properly and insists on using the power conferred by the party and the state to benefit society and the people. Never does he use the power to benefit himself or a small group. In this way he succeeded in earning the public trust and ensuring the smooth progress of reform. This example proves that as long as our party members, especially party cadres, act according to party principles even while they reform, and conscientiously relate their own particular piece of reform to the overall reform movement, reform will proceed successfully and will not lead to any unhealthy trends. Hence we say that it is incorrect to attribute the new unhealthy trends to reform.

In the course of correcting the unhealthy trends, we must also take pains to identify new problems, new phenomena and new methods which have emerged during reform and errors due to inexperience, and distinguish them, on the one hand, from the unhealthy trends, on the other. As pointed out by the Discipline Inspection Commission of the CPC Central Committee in a relevant document, "Some problems arise from inexperience and jurisdictional confusion. Some arise from individualism, a lack of consideration for the general interest and an exclusive concern with special interests. And some are violations of the law, pure and simple. At issue here are questions of understanding, ideology and ideological quality as well as trouble-making and sabotage by lawless elements." Therefore we must distinguish between problems caused by a lack of experience and unhealthy trends resulting from people taking advantage of reform to engage in illegal activities. We must not dismiss as unhealthy trends practices and behavior which contribute to the sound development of reform. Party committees and discipline inspection commissions at all levels must make detailed investigations and analyses to unravel the cause and effect of a problem. Was the mistake committed for the sake of reform or to benefit the interest of an individual or a small group? Did it occur because there were no clear regulations or because someone deliberately ignored the rules and knowingly broke the law? In short, we must stamp out the unhealthy trends in order to further reform, but in a way which will preserve the public's enthusiasm for reform.

IV. Current Major Reform Tasks

The "Seventh 5-Year Plan" period is a critical time for the wholesale restructuring of our economic system. Of the four basic guiding principles laid down by the CPC Central Committee for social and economic development during the "Seventh 7-year Plan," the very first one emphasizes that "we make reform our top priority and ensure that reform and development adapt to and promote each other." Explaining the three major tasks for this period, Comrade Zhao Ziyang also put reform at the top of his list and stressed that it is the most important. So it can be seen that our No 1 task today is reform.

It is an arduous task. When we say wholesale reform, we include the restructuring of the city-based economic system and reforms in the way we manage science, technology and education, among other things. As far as restructuring the economic system is concerned, we must come to grips with three major issues: invigorating enterprises, building a commodity market system and perfecting indirect control mechanisms.

Further Enhancing The Vitality of Enterprises

A condensed manifestation of the myriad ills afflicting the present economic system is the absence of vigor in our enterprises. In recent years, while small state-run enterprises and collective enterprises have shown more dynamism, few large and medium-sized enterprises owned by the whole people have really been invigorated. Yet such enterprises are the most vital and decisive element in the national economy. Numerically, large and medium-sized state-run industrial enterprises account for only 2 percent of all the nation's enterprises, but their fixed assets, profits and taxes constitute over 60 percent of the national total. The same pattern applies to Yunnan. Our 186 large and medium-sized industrial enterprises account for 70 percent of the province's total industrial output value and generate 86 percent of the revenues collected by the provincial government. It is exactly for this reason that the invigoration of enterprises, especially large and medium-sized enterprises, is the linchpin in the restructuring of the economic system. Toward that end, we msut first direct enterprises' attention inward. Instead of looking upward and outward and focusing solely on the state, consumers and users, they must make good use of the various kinds of autonomy conferred by the state to improve management and operations, speed up technical modernization, tap potential, continue to implement the internal economic responsibility system, pay attention to the material interest principle, strengthen ideological and political work and mobilize the enthusiasm of producers and workers. Second, we must do our best to improve the external conditions under which enterprises operate. For example, we must adhere to the principle of separating enterprises from government, further simplify administration and decentralize power, reduce their regulatory taxes appropriately depending on individual circumstances, and firmly prohibit the indiscriminate apportioning of expenses and fund-raising among enterprises to lessen their burden. A combination of internal and external efforts will enable enterprises to become genuine socialist commodity producers and operators which are dynamic and relatively independent, enjoy managerial autonomy and assume responsibility for their own profits and losses.

Develop A Planned Socialist Commodity Market And Gradually Perfect The Market System

The establishment and development of a socialist commodity market system is an objective need of the development of a planned commodity economy on the basis of a system of public ownership. This need includes more than the kind of need we are familiar with: the need to establish an open commodity circulation system which accommodates different economic forms and consists of a multitude and channels but fewer links; the need for industrial and commercial enterprises owned by the whole people, materials supply and marketing agencies and cooperatives to play an active part in market regulation; the need for industry and commerce administration agencies to strengthen market management and the need to expand energetically the production information market at a time when the consumer market is being expanded and so on. Even more vital is the need to reform the price system and price management system and gradually bring about a price system in which the prices of a minority of commodities and services are planned while those of the majority of commodities are allowed to float or completely decontrolled. In this way we will be able to make better use of prices as a regulator of production, circulation and consumption. In tandem with the development of a commodity market, we must also create a capital market, a technical market and a labor market. Only with the formation and gradual perfection of a socialist market system can the market mechanism be the driving force of the development of the socialist commodity economy that it is.

Perfect The State's Control Mechanisms, Primarily Indirect Control Mechanisms, With Regard To Enterprises

The perfection of indirect control mechanisms is a new issue which must be tackled urgently if sound macroeconomic control is to be a part of the national economy. We used to manage enterprises with direct control. Now we must replace that with essentially indirect control. In other words, we must rely mainly on economic and legal mechanisms, together with the necessary administrative means, to strengthen indirect control on economic activities on the macroeconomic level. This requires a wider use of such economic tools as prices, interest rates and tax rates, and a greater effort to formulate a series of economic laws, establish and strengthen economic supervision and an economic information network, and augment the functions of such agencies as those in banking, taxation, auditing, statistics, testing, standards, industrial and commercial administration and social notarization. The establishment and perfection of a macroeconomic indirect control system, including a planning system, economic leverage system, economic legislation system and economic organization system, is an important hallmark of the basis of the new economic system.

The intensification of enterprise vitality, the formation of a commodity market system, the perfection of indirect control mechanisms -- these three elements are closely interwoven and form a coherent whole. Once we master them, we will have basically laid the foundation for a dynamic, vital socialist economic system with Chinese characteristics.

Since the 3d Plenary Session of the 11th CPC Central Committee, Yunnan's economic front has carried out preliminary reforms. Without a doubt the splendid economic situation in the province -- simultaneous increases in industrial output, sales earnings, profits realized and government revenues for 4 or 5 consecutive years -- has a lot to do with the preliminary reforms in the economic system. To keep up the present excellent situation, we must carry on with our reforms resolutely and score new reform victories continuously.

In a recent speech, Comrade Hu Yaobang said, "We are in the middle of wholesale reform. And reform is something which affects us most intimately. Even as we reform all kinds of systems, we must change our own ideas, ways of thinking and mind-sets which are incompatible with the times so that our ability to understand and our work will be more suited to the needs of the party and people." To do so we must conscientiously study instructions by the CPC Central Committee and State Council and national party congress documents, correctly understand the essentials and nonessentials in the current situation, relate the ideas of the masses to the spirit of the Central Committee and adapt our mentality and way of doing things to the needs of the new situation. Only thus can the restructuring of the economic system in Yunnan develop healthily in the right direction.

Reform is also history in the making. In the present reform movement, the people of all the great Chinese nationalities are writing a new and glorious chapter in China's history. Therefore reform is not the doing of a minority of people, but the history-making undertaking of the broad masses. Every Chinese citizen, not to mention every cadre, every CPC member, should throw himself into the reform movement enthusiastically, concern himself with it and support it. Instead of being a bystander, he must feel a sense of responsibility for it. Instead of distancing himself from it, he should always ask himself what he has done for it.

In short, if only the vast numbers of cadres and the masses plunge themselves into the mighty torrent of reform and have the courage to experiment and explore in the direction pointed out for us by the CPC Central Committee, our reform movement will succeed.

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SHANGHAI MAYOR GIVES 5-YEAR PLAN REPORT

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[Report on Shanghai's Seventh 5-Year National Economic and Social Development Plan--by Shanghai Mayor Jiang Zemin at the Fifth Session of the Eighth Shanghai Municipal People's Congress on 25 April 1986]

[Text] Fellow deputies:

At the request of the Shanghai Municipal People's Government, I am going to report on Shanghai's Seventh 5-Year National Economic and Social Development Plan. Please examine it, along with the plan itself, which has already been given to you.

I. A Review of the Work Accomplished During the Sixth 5-Year Plan.

According to Shanghai's Sixth 5-Year Plan, approved by the First Session of the Eighth Shanghai Municipal People's Congress during the 1981-1985 period, Shanghai had to continue to implement the principles for readjustment, restructuring, consolidation, and improvement. Around the central task of achieving better economic returns, ensuring steady production growth, and achieving the target for state revenue, Shanghai had also to create a new situation for opening to the outside world and promoting internal cooperation, and to create conditions for further growth during the Seventh 5-Year Plan. Thanks to the guidance of the party Central Committee and the State Council, support from fraternal provinces and municipalities, and the efforts exerted by the people of Shanghai during the past 5 years, the mission was successfully accomplished.

In 1985, Shanghai's gross national output reached 46.7 billion yuan, representing a growth of 54.4 percent over 1980 and an average annual growth of 9.1 percent; gross industrial and agricultural output reached 89.3 billion yuan, representing an increase of 44.2 percent over 1980 and an average annual growth of 7.6 percent. Personal income reached 40.7 billion yuan, representing an increase of 49.8 percent over 1980 and an average annual growth of 8.4 percent. The municipality's revenue reached 26.39 billion yuan, representing an increase of 32.7 percent over 1980 and an average annual growth of 5.8 percent. This economic growth was faster and better than anticipated.

During the Sixth 5-Year Plan, industrial and agricultural production continued to grow steadily. Because of increasing output and variety of consumer goods and nonstaple food, the market had an ample supply of goods the public needed. Compared with 1980, the output of television sets, tape recorders, refrigerators and washing machines for household use increased several times, sometimes more than a hundredfold, in 1985. The output of vegetables, poultry, eggs, dairy products, and freshwater fish also increased significantly. Urban and rural markets alike were thriving and brisk.

During the Sixth 5-Year Plan, Shanghai invested an aggregate 35.1 billion yuan in fixed assets. The investment was 2.6 times higher than that of the Fifth 5-Year Plan. Construction of major projects proceeded quickly. The first-stage construction of the Baoshan Iron and Steel Complex and the second-stage construction of the Jinshan Petrochemical Complex were completed ahead of schedule and put to test operation.

Also commissioned were a great number of large and medium-size mainstay projects, including the container wharf of Shanghai Port's Zone No 9. New headway was made in transforming the technology of a large number of enterprises. The construction of urban infrastructure began to gain momentum. During the 5-year period, Shanghai spent 5.15 billion yuan on developing communications and transportation, posts and telecommunications, energy, and other public facilities. The expenditure was 84.5 percent more than that spent during the Fifth 5-Year Plan. The volume of passenger and cargo transportation and of postal and telecommunications services were growing. Shanghai Port has become one of the world's largest seaports, whose annual handling capacity has exceeded 100 million metric tons each.

Scientific and technological work, education, public health, cultural activities and sports continued to develop. During the 5-year period, over 5,000 scientific and technological achievements were recorded. The enrollment in schools of higher education grew at an average of 12.7 percent annually. Secondary vocational, technical, and adult education also achieved significant development. Accomplishment in certain areas of medical technology reached the advanced world level. New successes were achieved in such areas as journalism, publishing, radio and television broadcasting, literature and art. A large number of artists and athletes won great honors for the country and Shanghai with their outstanding performances in tournaments at home and abroad.

During the Sixth 5-Year Plan, the people's living standards improved noticeably. After adjustment for price rises, a worker's average income in 1985 was 38.2 percent higher than in 1980, and the peasants' average per capita income increased by 62 percent. By the end of 1985, bank savings by urban and rural inhabitants had reached 7 billion yuan, an increase of 2.3 times over that recorded at the end of 1980. During the 5-year period, urban and rural inhabitants' actual consumption grew by an average of 7.1 percent annually, higher than the anticipated 4 percent. The people's consumption pattern also changed significantly. More money was spent on clothing. Thanks to the completion of living quarters with a total floor space of 20.25 million square meters during the 5-year period, 170,000 families who had housing difficulties, and nearly 160,000 other families had their living conditions improved.

During the Sixth 5-Year Plan, exchange and cooperation with foreign countries continuously expanded. By 1985 Shanghai had established economic and trade relations with 160 countries and regions, had formed friendly ties with 14 cities in 12 countries, and had expanded its scientific, technological, and cultural exchange with foreign countries. Visitors and tourists in Shanghai have increased each year; Shanghai received 600,000 foreign guests and tourists in 1985, a 190-percent increase over 1980.

During the Sixth 5-Year Plan, Shanghai strengthened the legal system, cracked down on serious crime in general and serious economic crime in particular, and tackled such problems in a comprehensive way, thus bringing about a noticeable turn for the better in public order.

Shanghai has made tremendous achievements in socialist modernization over the past 5 years, during which the economy in the municipality has changed from a semiclosed to an open economy. This is a strategic change. At the same time, urban construction has been accelerated, and the people's living standards have noticeably improved. All this has laid a foundation for Shanghai's transformation and vitalization. The political and economic situation in Shanghai, like that in other parts of the country, is one of the best since the founding of the PRC. Practice has effectively proved the correctness of the line, principles, and policies laid down by the party since the 3d Plenary Session of its 11th Central Committee.

In the past 5 years, we have paid particular attention to our work in the following three aspects while implementing a series of major principles and policies laid down by the party Central Committee and the State Council:

1. Readjusting the Economy and Consolidating Enterprises to Put Our Economic Work on the Correct Course for Improving Economic Results.

When the Sixth 5-Year Plan was just put into practice, the party Central Committee laid down the major policy of "Making further economic readjustment and bringing about further political stability" and set the requirements for better economic results. In the course of economic readjustment, there were shortages of products on the market and insufficient production tasks for heavy industrial enterprises in Shanghai for a time. While inspecting Shanghai's work in July 1981, Premier Zhao Ziyang gave us important instructions on economic development and technological progress in the municipality. Keeping in mind Shanghai's realities and its market situation, we implemented the "Six-Priority" policy measures for the development of light and textile industries. As a result, the pace of improving product quality and making new generations of products in light and textile industry has been accelerated, and the output of quality and famous-brand consumer goods for daily use has doubled and redoubled. At the same time, we have readjusted the product mix in heavy industry and oriented it toward serving the technical transformation of light and textile industry and agriculture. Through such readjustment, production in heavy industry has steadily increased. The economic structure in Shanghai's suburbs and rural areas has also been readjusted. As a result, agricultural production has remained stable and has embarked on the path of joint operation and coordinated development. Meanwhile, more than

4,000 state enterprises and over 5,000 collectively owned enterprises have been thoroughly consolidated group by group at different times, thus improving their quality and economic results. Through readjustment and consolidation, the ratio between light and heavy industry has become rational. The proportion of tertiary industry in the gross national product increased from 21.1 percent in 1980 to 26 percent in 1985. Economic growth has remained steady.

2. Persistently Carrying Out Reforms and Opening to the Outside World to Adapt the Economic Structure to a Planned Commodity Economy

During the Sixth 5-Year Plan, acting on the central authorities' policies of carrying out reforms and opening to the outside world, we have practiced the output-related system of contracted responsibility, reformed the system of fixed quotas for state purchase of agricultural products, on fixed quotas, and accomplished the task of separating administration from commune management; we have developed more than 4,000 specialized households and integrated economic establishments of various types. Such specialized households and integrated economic establishments are playing a positive role in improving economic results, promoting commodity production, and invigorating rural trade. The reform of the urban economic structure has been gradually developing while seeking ways to do things better in this regard. Enterprises have been invigorated by giving them greater decisionmaking power, allowing them to retain a portion of their profits, and substituting taxes for delivery of profits to the state. Thus, the enterprises now have their responsibilities, rights and interests in planning, production, supply, marketing, labor and personnel matters. In enterprises, various forms of responsibility system have been instituted. The system of responsibility by the factory director (or manager) has been practiced on a trial basis in more than 600 enterprises. To increase enterprise vitality, experiments on the reform of the enterprise wage system have been conducted on the principle of distribution according to work. In commodity circulation, we have been engaged in an open-type of operation and management, incorporated seven Class 1 wholesale stations into municipal corporations, set up more than 400 market places, and decontrolled prices of non staple foodstuffs and small commodities. Thus, a multichannel system of circulation with few intermediate links is taking shape. With the deepening of the reform and the invigoration of the economy, we have developed the collective and individual economies and the economy characterized by joint ventures using Chinese and foreign investment and enterprises operated exclusively with foreign investment, with the economy under the ownership of the whole people as the leading factor. Moreover, in accordance with the CPC Central Committee's decision on the reform of the science and technology management system, we have started reforming the system of allocating funds for scientific research projects and made vigorous efforts to open up a technology market and develop various scientific research associations in order to make science and technology better serve economic construction. At the same time, the reform of the educational system has also gradually developed.

The Party Central Committee and the State Council have always attached importance to Shanghai's opening to the outside world. In 1983, the State Council approved Shanghai's recommendat-on on promoting the city's foreign trade. In 1985, it approved and transmitted Shanghai's preliminary plan for further opening to the outside world. During the Sixth 5-Year Plan, Shanghai expanded its import-export-trade-only foreign economic exchanges to cover more fields, including use of foreign capital, introduction of foreign technology, buidling use of foreign capital, introduction of foreign technology, building overseas construction projects, and export of technology and labor service. During the 5 years, 242 contracts on the use of foreign capital amounting to $1.27 billion were signed. From 1983 to 1985 858 foreign technologies worth $890 million were imported. Some of the imported technologies have been put into operation with good results.

Shanghai has also made great progress in domestic economic cooperation. In 1984, we formulated some policies and measures regarding the development of domestic economic cooperation. We have since strengthened our lateral ties with other localities in economy, technology, personnel, information, and management. We have successively developed cooperation with 28 fraternal provinces, municipalities, and autonomous regions in setting up some 2,000 economic associations and undertaking some 300 joint resource development projects. We have also cooperated on more than 5,000 programs involving either joint research or the transfer of scientific and technological achievements. The cooperation has brought about closer economic ties between Shanghai and fraternal provinces and municipalities and has promoted their common economic development.

3. Formulation of an Overall Economic Development Strategy and a General Urban Development Plan Has Set Clear and Definite Objectives for Shanghai's Transformation and Development

The Party Central Committee and the State Council, very much concerned about Shanghai's economic and social development, have repeatedly issued important instruct-ons on Shanghai's transformation and development. The cadres at all levels, theoretical workers, practical workers, and personages from all circles in Shanghai have spent a fairly long time on research and exploration for a long-range plan for Shanghai. In 1984, the State Council sent an investigation and research group to Shanghai to help us research economic development questions. We then invited some Chinese experts and scholars of relevant specialities to a symposium on Shanghai's economic development strategy. After comprehensive research and discussion, we prepared a report outlining Shanghai's economic development strategy. In the report, we have clearly and definitely set the objectives, principles, tasks, and measures for Shanghai's economic development, and we pointed out that Shanghai's tasks in the near future are to readjust the structure of production, promote technical progress, improve basic urban facilities, and bring about a coordinated development of all sectors. In February 1985, the State Council approved the outline. In accordance with the outline, we have formulated a general urban development plan of Shanghai, which clearly defines the urban layout. The plan calls for putting the stress of development on the Pudong District, developing satellite cities, expanding southward towards the Hangzhou Bay and northward toward the estuary of the Changjiang step by step, and building small suburban towns in a planned way in the course of transforming and building Shanghai proper. The Central Secretariat has in principle agreed to the general urban development plan. The formulation of the economic development strategy and the general urban development plan shows that Shanghai's transformation and development have begun a new stage.

Although great changes took place in Shanghai's economic and social situation during the Sixth 5-Year Plan, our work still lags behind the expectations of the Party Central Committee and the State Council as well as the demands of the Shanghai people. At the same time, we still have many difficulties and problems. On the one hand, some reform measures are not coordinated, and the reform of the macroeconomic management system cannot fully meet the needs of the work of invigorating microeconomic activities, affecting the vitality of enterprises and obstructing the market from fully playing its role. The economic structure has not yet been straightened out. There are too many levels of government organization; bureaucratic workstyle of arguing back and forth and being dilatory still exists to a varied degree, and attention given to the building of socialist spiritual civilization is insufficient to meet the needs of the four modernizations. On the other hand, Shanghai has the problems of insufficient basic urban facilities, heavy city street traffic, poor telecommunications, housing shortage, serious pollution, insufficient cultural facilities, irrational geographical distribution of industrial enterprises, insufficient floor space in enterprises and factories, backward technology and equipment, slow progress in developing a new generation of products, big waste in raw and processed materials and energy, failure to increase export and foreign exchange earnings in the last few years, serious deficiency in local financial resources, and limited foreign exchange reserves. Because of the aforesaid problems and difficulties, we think Shanghai is facing a severe challenge. Therefore, we must seriously sum up experience, do a still better job in all reform and construction, strive to make greater achievements during the Seventh 5-Year Plan, and greatly improve Shanghai's situation.

II. Principles and Major Tasks of the Seventh 5-Year Plan

Deputies, the Seventh 5-Year Plan, which was approved in principle by the Fourth Session of the Sixth NPC, shows bright prospects for China's economic and social development in the last 5 years of the 1980's, and inspires us to work hard in unity to fulfill this grand plan. As an important component of China's Seventh 5-Year Plan, Shanghai's Seventh 5-Year Plan is formulated in line with a general demand for building socialism with Chinese characteristics, a basic principle for invigorating domestic economy and opening to the outside world, the demands set by Shanghai's economic development strategy, and the proposal of the municipal party committee for Shanghai's Seventh 5-Year Plan. During this period, Shanghai will adhere to the following important policies and principles in economic and social development:

--Giving priority to reform, actively promoting reform of the economic structure, and making sure that reform and development are adapted to, and promote, each other;

--Resolutely controlling the scale of investment in fixed assets, rationally readjusting the investment structure, and ensuring the completion of key construction projects;

--Giving top priority to improving economic results and particularly to improving product quality and lowering material and energy consumption, and correctly handling the relationship between economic results and growth rates and between quality and quantity;

--Stepping up construction of basic urban facilities, and integrating gradual transformation of old city districts with speedy building of the new;

--Taking a further step to developing an open domestic economy and open to the outside world, enhancing the ability to export and earn more foreign exchange, and better integrating Ohanghai's production and construction with the efforts to expand domestic and international economic and technological exchanges;

--Persisting in putting science and education at an important strategic position, promoting scientific and technological progresses, and accelerating the development of intellectual resources.

--Comprehensively adopting advanced technology, and accelerating the transformation of traditional industries and the development of new industries in a selective way;

--Readjusting the structure of production according to plan and speeding up development of tertiary industry;

--Further improving the urban and rural people's material and cultural life as production and productivity grow; and

--Energetically stepping up the building of socialist spiritual civilization while promoting the building of socialist material civilization.

Many things remain to be done during the Seventh 5-Year Plan, and we must prioritize them. In accordance with the proposal of the municipal party committee for the Seventh 5-Year Plan, we should put the stress on three major tasks: 1) to step up construction of basic facilities and improve the investment and living environment; 2) to actively use foreign capital, increase export and foreign exchange earnings, and expand domestic and international economic and technological exchanges; and 3) to accelerate scientific and technological progress and personnel training and promote the development of economy and other undertakings. These three tasks are the key to building Shanghai into an open, multifunctional and modern socialist city.

For these reasons, the fighting goals of Shanghai's Seventh 5-Year Plan are: By 1990, the gross national product will reach 67.3 billion yuan, or double that of 1980, representing an annual growth rate of 7.5 percent; the total output value of industry and agriculture will reach 118.65 billion yuan (not including output value of the cooperative and individual economy), an increase of 92 percent as compared with 1980, representing an annual growth rate of 6 percent; national income will reach 57.2 billion yuan, representing an annual growth rate of 7 percent; and local state revenue will reach 23.1 billion yuan, representing an annual increase of 5 percent. During the 5-year period, the total amount of local investment in fixed assets will be 22 billion yuan, an increase of 50.1 percent as compared with the Sixth 5-Year Plan. By 1990, we will complete the building of a number of key capital construction projects and modern enterprises in the municipality. On the basis of popularizing 9-year compulsory education, the number of professional people in various fields in the municipality will increase by 65 percent during the 5-year period.

We will earn more foreign exchange through exports, with an annual increase of 8.4 percent for the period. Consumption levels of urban and rural residents will increase by about 6 percent annually and their living standards and environment will be further improved. Fulfillment of the Seventh 5-Year Plan will place Shanghai's economy on an upward trend and prepare for continued economic development in the 1990's.

I wish now to explain some of the main questions concerning the municipality's Seventh 5-Year Plan:

1. Maintaining an Appropriate Economic Growth Rate While Increasing Economic Results

In transmitting the "outline of the strategic plan for Shanghai's economic development," the State Council's circular pointed out. "In evaluating Shanghai's economic work in the future, it is imperative to consider Shanghai's contributions to the building of the four modernizations in the whole country as the principal criterion. Therefore, the 'gross national product' should be the primary target." Based on this requirement, our principal fighting goal during the Seventh 5-Year Plan is to double the gross national product by 1990 as compared with 1980 and to increase the total output value of industry and agriculture by 92 percent during the same 10-year period. The task of the Seventh 5-Year Plan is to smooth the way for improving economic relations, readjust the production structure, promote technological transformation, and raise econo-ic results in order to create a favorable economic environment for carrying out reform of the economic structure in an all-round way.

On the other hand, in the course of developing Shanghai into a multipurpose central city, we must continue to develop the positive role of Shanghai's old industrial bases. While constantly raising technological levels and economic results, we must maintain a stable rate of industrial growth. This is to meet the need of expanding exports, making the market prosper, increasing construction funds, and accumulating more money for the state and also to lay an important material foundation for revitalizing Shanghai's economy. During the Seventh 5-Year Plan, the annual increase of Shanghai's industrial production will be 6 percent, with that of light industry to be 5.8 percent and that of heavy industry, 6.3 percent. The growth of Shanghai's industrial production will mainly depend on technological progress, improved management, increased product quality, reduced materials consumption, and increased economic results. We must speed replacing old products with new ones in producing consumer goods and develop medium- and high-grade products as well as famous brand products in order to meet the people's needs and the demand of the international market. Those enterprises that produce equipment should speed their own transformation, import and absorb advanced foreign technology, and supply outstanding and advanced equipment for various economic departments and export. Those enterprises that produce raw materials should use the Baoshan Iron and Steel Complex, the Jinshan petrochemical plant, and other existing enterprises as the foundation and intensify processing work in order to meet the needs of production and construction by supplying high-quality, refined, and specialized products and to replace imports. In developing new industries, we must lay stress on developing microelectronics, optical fiber communications, new materials, and biotechnology and strive to achieve good results and gradually build these industries.

2. Accelerating the Construction of Basic Urban Facilities and Improving the Investment and Living Environment

According to the arrangements of the national planning conference, Shanghai's total investment in fixed assets during the Seventh 5-Year Plan will be 22 billion yuan, 9.2 billion yuan of which will be invested in capital construction and 12.8 billion yuan in technological transformation. Such an investment scale is far from meeting Shanghai's development needs. Therefore, all departments and organizations should consider the overall situation, make proper arrangements, and do things according to their capability and the principle of making overall plans and considering all factors to ensure completion of key projects.

Our basic urban facilities, particularly our harbor, railroad, air transport, postal, telecommunications, and urban transport facilities, are strained and overloaded, creating conspicuous obstructions to Shanghai's economic and social development and its efforts to develop an open domestic economy and to open to the outside world. For this reason, we have increased basic facility investment in proportion to the total investment in fixed assets in the municipal Seventh 5-Year Plan. Investment in urban public utility, transport, postal, telecommunications, energy, and housing projects for the 5 years will amount to 9.04 billion yuan, accounting for 41 percent of the total investment in fixed assets in the Seventh 5-Year Plan and an increase of 65.4 percent as compared with the Sixth 5-Year Plan. This investment reaches 10 billion yuan if investment in building marketable houses, which is not included in the plan, is included. We will also use foreign investment to accelerate the construction of basic facilities.

With the investment, we will undertake a number of key projects during the Seventh 5-Year Plan. In order to benefit sooner from the investment, we plan to complete some key projects in two stages.

During the first stage, or the first 2 years of the 5-year plan, we plan to complete a new railroad passenger station, the first phase of the outer loop of the Shanghai-Hangzhou railroad, the Yanan East Road river-crossing tunnel, the first phase of the water-drawing project on the upper reaches of the Huangpu Jiang, the first phase of the Pudong gas plant, the widening of Hongqiao Road, an overpass for motor vehicles on Jiaotong Road, a 125,000-kilowatt generator at the Minhang power plant, and a telecommunications building.

During the second state, or the last 3 years of the 5-year plan, we plan to complete the Shanghai-Jiading and the Xin-Song [5450 2646] first-class highways, the remainder of the project involving the outer loop of the Shanghai-Hangzhou Railroad, the remainder of the water-drawing project on the upper reaches of the Huangpu Jiang, the second phase of the Pudong gas plant, the improvement of a bottleneck near the Waibaidu Bridge, the widening of Chengdu

Road, the expansion of the passenger terminal building at the Hongqiao airport, a number of shipping berths at Guangang, generators with a total power-generating capacity of 1.8 million kilowatts at the Shidongkou No 1 and No 2 power plants, the Shanghai sections of three 500,000-volt transformer lines leading from Shanghai to Xuzhou, Huainan, and Gezhouba, and the installation of additional telephones bringing the city's total number of telephones to 600,000.

During the Seventh 5-Year Plan, we will use foreign investment to build subways, the Huangpu Jiang Bridge, the East District sewer project, and the Pudong development project.

During the Seventh 5-Year Plan, we will also complete a number of new houses, guest houses, and office buildings. By 1990, the outlook of Shanghai's urban districts will improve markedly, with the Shanghai railroad station and airport taking on a new look and a number of highrise buildings standing in Hongqiao District. There will be a wide and beautiful road between Waibaidu Bridge and Waitan. The old city district will be surrounded by a number of new housing areas, and some slum areas will improve in appearance.

To fulfill the abovementioned tasks, the following work should be done well:

First, urban planning should receive close attention. In accordance with Shanghai's comprehensive urban development plan, planning departments at all levels should follow the principle of "coordinating efforts to formulate unified plans, and increasing efficiency by allowing these plans to be managed at various levels." They should speed up the formulation of plans for various professions and zones, as well as of other detailed plans.

Second, adequate preparations and plans for the construction of infrastructural facilities should be made without fail. Great attention should be given to feasibility studies and comprehensive arrangements. The plans should be implemented in groups and by stages so as to concentrate on carrying out an all-out campaign and to devote our limited financial, material, and human resources primarily to the construction of key projects in order to maximize their social and economic results.

Third, full attention should be given to the comprehensive plan for improving the environment. The goal is: By 1990, despite the considerable progress in production, the amount of pollutants discharged by the entire city shall be kept at the 1982 level. The requirements in some aspects and in environmental quality in some areas shall be raised. Emphasis should be placed on controlling environmental pollution in the Hetian area. Under the Seventh 5-Year Plan, attention should be given to improving the method of city garbage disposal. Greenbelt areas should be expanded, so that per capita greenbelt area will increase from .7 square meter in 1985 to 1 square meter in 1990.

Fourth, city administration should be strengthened. This is an important task for implementing urban planning, raising the operational efficiency of public utilities, and beautifying the city. Therefore, we should strive to effectively manage the city's plans, land, environment, construction, traffic, appearance, and hygiene.

To accelerate the construction of infrastructural facilities in Shanghai, the support and cooperation of all quarters are needed. All localities, units, departments, and residents should actively cooperate with the departments concerned in land requisition and relocation, so that all projects will progress smoothly as scheduled.

3. Vigorously Developing Science and Technology, Promoting the Transformation and Revitalization of Shanghai

Science and technology are central to revitalizing Shanghai, promoting the four modernizations, and catching up with world levels in hi-tech development. They are also the key to preserving Shanghai's strong points. Therefore, we must realize the strategic significance of scientific and technological development, attach importance to scientific and technological progress, and make all quarters feel the need of developing science and technology. Development of economic work in all aspects should rely on scientific and technological progress, while science and technology should strive to serve economic construction and social development.

To promote science and technology, the first objective is to vigorously develop and popularize scientific and technological projects that yield good and quick results, and to actively adopt new technologies to transform traditional industries and improve their production techniques. During the Seventh 5-Year Plan, the major goals to be fulfilled in order to promote Shanghai's industrial technology are: The leading force should be those products designed to catch up with and surpass advanced world levels; the starting point should be to absorb and digest advanced technologies at home and abroad; the purpose should be to achieve better economic results and increase foreign exchange earnings; and emphasis should be laid on transforming and developing the 9 traditional industries, namely, textiles and garment, foods and beverages, home appliances, precision machinery, power equipment, communication equipment, metallic materials, high polymer materials, and building materials, involving 40 broad categories of products and 161 backbone enterprises. Industrial departments should pay attention to development and research of new products, establish intermediate experimental departments, actively adopt international standards, and see to it that more than 2,500 new products are developed in Shanghai in 5 years' time. By 1990, the technology, equipment, and major products, export products in particular, of Shanghai's major industries should reach the level of the developed countries of the late 1970's and early 1980's, with some products catching up with the international level of 1990. In agriculture, it is necessary to cultivate and popularize fine-strain seeds and high-yield technologies, establish bases for developing nonstaple food technology, actively implement the "spark plan," and use science and technology to serve agriculture and village and town enterprises. Under the Seventh 5-Year Plan, Shanghai will designate 125 key scientific and technological achievements for popularization. This will help quickly transform scientific research results into production forces.

In developing science and technology, it is necessary to coordinate the efforts of all quarters concerned to tackle major assignments and key technological projects for our economic and social development. All scientific research units should take the initiative in carrying out key scientific and technological projects of the state, and strive to complete the municipality's 24 key projects, including technological transformation of outdated industry, establishment of new industries, urban infrastructure, and major topics in medical science and agriculture, which urgently need to be solved. At the same time, it is necessary to pay close attention to digesting, assimilating, and updating imported technologies, as well as domestic development of their auxiliary equipment. Efforts should be concentrated on domestic development of the sundry components for Shanghai Sangtana sedans, color TV sets, and refrigerators among the 300 technological projects to be imported, digested, and assimilated during the Seventh 5-Year Plan, so that at least 80 percent of the components will be manufactured domestically. Urban construction, transport, postal, telecommunications, and other departments will actively adopt advanced foreign technologies to raise their design, construction, operational, and management levels.

It is necessary to make the best use of Shanghai's advantages in science and technology to develop high technology and continue to intensify the study of basic and applied sciences in order to prepare for the reserve scientific and technological forces for economic, scientific, and technological development and social progress for the next decade, or even the next century. In developing high technology, it is necessary to focus on micro-electronics, optical fiber communications and biological technology, and study and develop new materials, thereby facilitating the establishment and advances of new industries. Efforts should be made to intensify the study of high technology in the fields of laser, remote control, flexibility processing, space, and nuclear technology. In the study of basic sciences and their application, we should strive to complete a number of projects, with the world's advanced level, in molecular biology, solid physics, applied mathematics, applied chemistry, and medical science. In studying the prevention and treatment of malignant diseases, we should consolidate and expand research into cancer and other areas where China is already leading other countries.

In developing science and technology, it is necessary to further reform the scientific and technology management system and adopt appropriate policy measures, especially in the following four fields: First, it is necessary to increase expenditure for science and technology by making the increase in the appropriation for science and technology higher than that in regular local financial revenues, reform and perfect the appropriation system for scientific research institutes, improve and popularize the contract system listing remunerat-on, and institute the funding system for basic science research projects. Second, it is necessary to build up economic departments' strenth to develop science and technology by allowing enterprises to include scientific research expenses into their cost and spend most of the income from transferring the fruits of their projects on technological development, and by giving preferential treatment in regulatory tax reduction or exemption, in accordance with the government regulation governing higher depreciation rate of fixed assets, to enterprises actively adopting advanced technology and equipment to upgrade themselves technologically. Third, it is necessary to bring into full play the role, and more effectively coordinate the efforts, of Shanghai's scientific research units affiliated to the Chinese Academy of

Sciences or other central research units, military industry units, institutes of higher learning, and local scientific research organizations. Fourth, it is necessary to energetically explore and enliven the market and develop various forms of association combining scientific research with production. Besides, it is necessary to reform the job title evaluation system and introduce that of engaging specialized technical posts in accordance with the State Council's unified arrangements, to further harness the enthusiasm of the large numbers of scientific and technical personnel.

4. Promoting the Undertaking of Education, Intensifying the Training of Specialized Personnel

It is our steadfast long-range strategy to attach great importance to education, a cornerstone of our modernization drive. To achieve a relatively big advance in education during the Seventh 5-Year Plan, we should make vigorous efforts for education, making primary education become unversal, training specialized personnel in various fields, and striving to increase educational expenditures by 2 percent over the growth of regular local financial revenues.

The 9-year compulsory educational system is the foundation for the entire educational undertaking. Special attention should be paid to improve education in rural areas. Since the key to improving the quality of education lies in raising the quality of teachers, priority should be given to developing normal education to ensure the source and quality of students of normal colleges and schools. It is necessary to stabilize and expand the contingent of teachers, set up a system of advanced study and evaluation of teachers, and vigorously unfold the activity of respecting teachers and stressing education, thereby mobilizing the whole community to show great interest and concern for the undertaking of education. All districts will make senior middle school education universal by 1990, and the suburban counties will strive to basically popularize junior middle school education within the next 2 or 3 years. It merits our attention that a peak in nursery school, kindergarten, and primary school enrollment is approaching within the next few years, and it will require the cooperation of various quarters in adopting effective measures to successfully carry out this important task having a vital bearing on the quality of the next generaton. Besides, attention should be given to rebuilding dangerous primary school buildings.

While popularizing compulsory education, we must follow the policy of gearing our work to the needs of modernization, of the world, and of the future and to the all-round development of moral, intellectual, physical, and aesthetic education, and must strive to develop educational work in the following four aspects in order to train various kinds of specialized and qualified people for appropriate jobs:

First, we must develop vocational and technical education by gradually establishing a sound training system consisting of vocational and technical schools of senior and middle school level in all fields which can be linked to the regular school system. We must also pay particular attention to training senior technical workers who have abundant practical experience and are proficient in their work.

Second, we must strengthen higher education. We must fully tap the potentials of existing universities and colleges and further expand these schools, readjust the faculties and administrations of schools of higher learning, accelerate growth in those fields where we are lacking or are weak, and support the expansion of new branches of learning and frontier sciences.

Third, we must firmly grasp education for adults, pay attention to the principle of integrating study with application and use various methods, ways, and forms to promote adult education at various levels.

Fourth, we must actively and effectively run various training and research classes for advanced economic and technical management cadres.

During the Seventh 5-Year Plan, the municipality's regular schools of higher learning will be able to supply some 170,000 polytechnic and regular class and graduate school graduates to various sectors; of these, over 80,000 graduates may be allocated to the municipality. Adult education schools of college level will train some 130,000 people; full-time polytechnic schools of secondary school level will train 92,000 people; secondary vocational and technical schools will train 28,000 people; adult education schools of polytechnic school level will train 110,000 people; adn the various technical schools will train 100,000 people during the period. The number of advanced and secondary level technicians in proportion to the total number of technicians will be raised from 32 percent in 1985 to 55 percent in 1990.

On the one hand, we must develop education and make great efforts to train people. On the other hand, we must foster the social habit of respecting knowledge and capable people, assign people to appropriate posts, and provide opportunities to capable people, including those who have acquired knowledge and skills in various fields through self-study, so as to promote the development of various fields of work.

To develop education and speed up training of people during the Seventh 5-Year Plan, the key lies in doing a good job in reforming the educational structure. We must continue to correct our thinking in education; vigorously improve the content, methods, and quality of teaching; strengthen education on ideals, morals, discipline, and the legal system for students; guide students to integrate theory with practice and to integrate themselves with the workers and peasants; encourage students to develop their thinking and pioneering spirit; unfold beneficial cultural and sports activities to improve student health conditions; continue reforming the educational management system; expand the schools' decisionmaking powers while strengthening centralized guidance and control; gradually implement the system of having the school principal or president assume full responsibility of school administration; and reform and improve the enrollment system and the allocation of graduates to various jobs.

5. Actively Increasing the Use of Foreign Funds and Raising the Ability to Increase Our Foreign Exchange Earnings

During the latter part of the Sixth 5-Year Plan, the municipality quickened its pace of utilizing foreign funds, which was a good beginning. During the Seventh

5-Year Plan, we must utilize foreign funds more effectively and on a bigger scale. We must create a new situation, lay stress on building capital construction projects in the municipality, expand exports, produce items which had to be imported so far, carry out important technical transformation, and develop tourism, cultural facilities, and other necessary tertiary industries.

We still lack experience in utilizing foreign funds for building capital construction projects in the municipality, and therefore we must follow the principle of being positive and prudent. On the one hand, we must free our thinking and be bold in obtaining loans; on the other hand, we must only do what we are capable of doing and take our trade balance and repayment capability into consideration. In addition to continuing to invite direct investment by foreign firms, we must open up other ways, including obtaining funds directly from the international market, in order to gradually create a new situation of utilizing foreign funds through diversified channels.

We will adopt various forms to raise and repay the foreign funds we have absorbed. It is necessary for enterprises themselves to use commerical loans for abroad to build and manage projects capable fo earning foreign exchange and repaying foreign funds. To construct projects that lack the capacity to earn foreign exchange and repay foreign funds, we may use long-term, low-interest loans offered by international monetary organizations or on an intergovernmental basis, or link these projects with some auxiliary projects capable of earning foreign exchange for comprehensive development and management, thus maintaining a basic balance of absorbing and repaying foreign funds. We can also let the municipality make general plans for repaying foreign funds. Other projects can be developed and managed through public bidding by overseas investors in accordance with our planning and requirements. It is imperative to do a good job in preliminary feasibility studies for all projects using foreign capital.

To further attract foreign investors, we must consolidate, improve, and develop existing Chinese-foreign joint ventures, cooperative enterprises, and enterprises set up exclusively with foreign capital, and formulate and improve corresponding economic laws and regulations concerning foreign nationals. In accordance with the principle of equality and mutual benefit and stipulations of relevant laws, we should fully protect the legitimate rights and interests of Hong Kong and Macao compatriots, Overseas Chinese, and foreign traders who come to Shanghai to make investments and develop economic and technical cooperation.

Whether we can use more foreign capital or not is determined by our capacity to earn foreign exchange. According to the plan, the total value of Shanghai's exports in 1990 will be $4.3 billion. Of that total, the value of Shanghai products will be $ billion. The average annual growth will be 8.4 percent. The proportion of export commodities will increase from the current 30 percent to 40 percent of the total value of purchased commodities in Shanghai's domestic and foreign trade. This calls for our concerted efforts to make a breakthrough. It is necessary to strive hard to promote the production of marketable export commodities and further raise the quality and grade of export commodities. In terms of technology, variety, design, packaging, decoration, and advertising, it is necessary to make greater efforts to meet the demands of the international market. While making the most of exports of light and textile industrial products, we must also strive to increase the proportion of exports of machinery and electrical products and complete sets of equipment. We must strengthen the coordination between industry (agriculture) and foreign trade, technology and foreign trade, and import and export; actively disseminate experience and practice in this connection that have been proven to be effective; act in unison on exports; and promote joint management. It is necessary to consolidate and develop markets already available; actively open new markets; understand quotations on the international market in good time; do a good job in information feedback; adopt flexible measures to expand marketing channels; and establish and improve marketing and service systems so as to expand exports. It is necessary to seriously implement and perfect policies encouraging export so staff members and workers of foreign trade departments and plants producing export products can enjoy more preferential treatment. When a percentage of foreign exchange, which is earned from thorough processing of primary products supplied by fraternal provinces and cities, is retained in accordance with state stipulations, a rational proportion of this percentage must be returned to the fraternal provinces and cities.

While we are making efforts to expand commodity exports, we must also strive hard to develop tourism. Capital turnover in tourism is quick. Tourism also earns more foreign exchange while consuming less material resources. It does not contaminate the environment very much. In addition, it can spur the development of communications. light and textile industries, food industry, industrial art, and business and service trades; it also promotes friendly contacts among people of all countries. In this connection, Shanghai has a very large potential. Moreover, we should also coordinate with all fraternal provinces and cities to form a tourism network. During the Seventh 5-Year Plan, we will strive to increase the number of tourists visiting Shanghai from overseas by 150 percent over the Sixth 5-Year Plan, some 1.6 million people in 1990.

6. Actively Develop Lateral Economic Ties, Promote Codevelopment of the Economies of Shanghai and Other Localities

In the past several years, Shanghai has accumulated very rich experience in internal cooperation which has grown remarkably and produced marked economic results. However, we have not yet met the needs of economic development. During the Seventh 5-Year Plan, Shanghai should further develop lateral economic ties.

It is currently a good time to develop lateral economic ties. We must take the initiative to establish economic associations of all forms with a broader view, an open policy, and a positive attitude by adhering to the principles of exploiting advantages and avoiding setbacks, developing various forms, promoting mutual benefit, and achieving common progress. Our goal is to build integrated economic entities in the Shanghai Economic Zone, the Chang Jiang River Basin, and various localities throughout the country to manufacture products of famous brands, to develop scientific research work, to comprehensively utilize important natural resources, and to process export goods. Our aim is to organize groups of enterprises that cover various districts and departments and to continuously develop our economy which "fans out in two directions" in close connection with our efforts to promote economic and technical exchanges with foreign countries so as to create favorable conditions for transforming and rejuvenating Shanghai.

On the basis of the "Regulations of the State Council on Several Issues for Further Strengthening Lateral Economic Ties" and in close connection with the actual situation in Shanghai, we are working out measures to promote lateral economic ties in Shanghai. 1. Each year, we should use a part of the state investment in fixed assets to promote economic ties. We should simplify the procedure for checking and approving projects and give enterprises more decisionmaking powers while centralizing our guidance and working out a plan for strengthening lateral ties. 2. We should promote the lateral flow of funds. Various specialized banks should support economically integrated departments and enterprises with loans and charge them low interest rates for particular projects that promote economic ties. 3. In distributing products and supplying materials, we should give more decisionmaking powers to and make things convenient for enterprises that have established economic ties with others. 4. We should give preferential treatment to enterprises that have established economic ties with others and reaped profits from their economic associations or received remuneration from the transfer of technology or the offer of consulting services. Such treatment includes tax reduction or exemption. 5. We should give certain preferential treatment to enterprises that have established economic ties with others and retained a certain proportion of profits and to those that have set out to develop economic ties with other enterprises and have received remuneration in this connection. 6. We should adopt a more flexible policy in dealing with those who come to Shanghai from other localities to run enterprises so as to promote the production and circulation of commodities. We believe that as long as we unify our ideas, adopt a sound policy, coordinate with all the departments concerned, and vigorously forge ahead, we will definitely be able to quicken our pace in strengthening lateral economic ties in Shanghai and do a still better job in fulfilling our strategic tasks for the development of Shanghai's economy.

Here, I would like to stress one point. Shanghai is a city with emphasis on the processing industry. Various localities need Shanghai's support, but Shanghai needs the support of various localities even more. In order to achieve common prosperity, we must cordially receive people from various departments and units of fraternal provinces and cities; earnestly exchange views and humbly learn from them; and establish a long-term, stable, and fine relationship of economic cooperation with them on the basis of equality and mutual benefit.

7. Readjust Industrial Setups, Maintain Sustained, Steady and Coordinated Development of the National Economy

One of the important tasks in developing Shanghai's economy during the "Seventh 5-Year Plan" is to straighten out economic relations, readjust industrial setups, and bring about self-sustained economic growth as soon as possible.

In Shanghai's total setup of production, the current ratio of primary, secondary, and tertiary industries is 4 to 70 to 26 respectively. Over the past few years, tertiary industry has grown rapidly, but its proportion in the total setup remains low. It fails to keep pace with the development of primary and secondary industries and the needs of the people in raising their living standards. Therefore, to vigorously develop tertiary industry has become an urgent task. We must give top priority to developing tertiary industry. While trying to raise the absolute value of the primary and secondary industries, we must increase the proportion of tertiary industry from 26 percent in 1985 to 33.4 percent by 1-90 with an annual average growth rate of 13 percent so that the ratio of primary, secondary, and tertiary industries will be readjusted to 3.4 to 63.2 to 33.4.

The internal structure of these three industries shall be rationally readjusted as follows:

In primary industry, the principle of "stabilizing grain output, readjusting cotton crop, ensuring vegetable supply, and developing feed and marketable cash crops" has been adopted as far as crop cultivation is concerned. We should properly carry out grain production, increase forage output, and strive to promote the production of nonstaple foodstuff by increasing variety and improving quality so that peasants in suburban areas will be self-sufficient in grain while supplying most of the nonstaple foodstuff needed by urban residents. We should also set up multilevel and multiform service systems before, during, and after production. While readjusting the structure of agriculture, it is necessary to build water conservancy works and to accelerate the pace of farm mechanization. It is necessary to improve the management of state farms so that they can gradually become bases for domestic and foreign trade goods and for urban nonstaple foodstuff; models of agricultural modernization; and service centers for the rural economy. In order to supplement agriculture with industry, improve agricultural production conditions, continuously promote specialized, large-scale commodity production and modernize agriculture, we should attach great importance to the development of village and town enterprises, and based on the requirement for integrating urban and rural areas and guided by the plan for developing rural towns, we should develop village and town enterprises that produce supplementary equipment for major industrial sectors and are oriented to exports and agriculture, thereby enabling Shanghai's rural economy to advance in a more harmonious manner. It should be emphatically pointed out here that urban areas should step up their support for rural counties, especially those in outer suburbs, in various fields.

In secondary industry, readjustments should be made in line with the requirements set in the strategy for economic development, which calls for "four decreases and two increases" (that is, decreasing energy and material consumption, transportation volume, and the "three wastes" and increasing the intensity of technology and the added value). In view of the extensive scale, broad branches, strong coordination, and high economic efficiency of Shanghai industry, readjustment of its internal structure will mean a fairly difficult systems engineering project. We plan to make the readjustment in accordance with the following principles: First, in order to build up our ability to earn more foreign exchange through exports, we should reduce exports of outdated, low-grade, competitive commodities in various designs for export. Second, in order to enrich the people's livelihood and enliven the market, it is necessary to develop medium-, high-grade and famous brand quality light and textile industrial products and durable consumer goods and cut down on the production of low-grade and coarsely finished products in general. Third, in order to supply advanced technological equipment and new materials to other parts of the country, it is necessary to develop new, highly efficient, and computerized electrical and mechanical engineering products and set up new raw and semifinished materials industries and other trades while cutting down on the production of low technology, heavy-duty products for general use. Fourth, in order to lessen the burden on urban areas, reduce their reliance on raw and semifinished materials and energy, and protect the environment, we should develop small, exquisite, light-weight, and energy-efficient products with a higher added value and decrease the production of energy-inefficient and low value products by cooperating with inland areas in step-by-step relocating the production of goods that consume a lot of energy and materials to areas where raw and semifinished materials originate. Fifth, instead of concentrating on economic cooperation within the municipality, we should encourage cooperation among key enterprises and major trades in the Shanghai Economic Zone and the whole country as well and set up enterprise corporations with coordination among specialized departments. We shall carry out investigation and study and map out an overall plan for readjusting the industrial structure in a planned and systematic way so that Shanghai's industry will be gradually transformed from an extensive to an intensive type and from relying mainly on material supply to relying on technological progress during the Seventh 5-Year Plan.

In tertiary industry, we shall focus attention on developing transport, posts, telecommunications, commercial services, banking, and insurance business, and appropriately promote tourism, housing and real estate, information services, and consultancy. In commercial services, the total retail sales in the municipality in 1990 shall be increased by 44.7 percent over that of 1985, averaging an annual increase of 7.7 percent. Hence, it is necessary to further relax policies; expedite circulation channels; bring into fuller play the leading role of state-run commerce; pay greater attention to developing collectively and individually run commerce; increase the supply of staple and nonstaple foodstuff; and enrich the consumer market. The number of commercial outlets in the entire municipality shall be increased from 106,000 in 1985 to over 125,000 in 1990. It is necessary to promote the supply of small commodities and energetically promote catering, service, and repair trades in order to solve practical problems in the people's everyday life.

8. Raising People's Living Standards, Developing Social Security Work

On the basis of developing production and increasing labor productivity, we should constantly raise the people's material and cultural level. This is the basic starting point for the Seventh 5-Year Plan for National Economic and Social Development. During this plan, the annual increase in the actual income of staff members and workers in the municipality is estimated at approximately 5 percent, the annual increase in the peasants' average net income will be about 7 percent, and the annual increase in the consumption level of urban and rural residents will be about 6 percent.

The improvement in people's housing conditions and living environment is a basic task in raising the people's standard of living. We plan to build new houses in towns and other urban areas, with a total areas of 22 million square meters, and will strive to build more houses if the situation permits. At the same time, we shall pay attention to the building of various facilities for the new housing areas, and improving the environment and quality of life. We shall build a number of "new urban areas" with convenient communications, good facilities, rich and varied cultural life, and a beautiful environment on the borders of old urban areas.

During the Seventh 5-Year Plan, we shall continue to grasp family planning work, vigorously advocate eugenics, promote sound child-rearing practices and raise the quality of the population. We shall contain the annual natural growth rate of population at about 0.6 percent. In addition, we should strictly control the mechanical [ji xie 2623 2750] growth of the population, especially in key urban areas. We should further develop medical and public health work and strengthen the building of health care facilities. We should also strengthen our work in the prevention of disease, raise the quality of medical care, reduce the incidence of disease, and improve the people's health.

During the Seventh 5-Year Plan, the proportion of old people in the municipality will increase, so we must continue to mobilize and rely on all forces in society to provide care for the aged and show concern for their material and spiritual life. In the meantime, we should show concern for the life of disabled people and their study and work. We should improve and develop social welfare undertakings and give preferential treatment to families of servicemen and revolutionary martyrs. We should gradually establish, and perfect, a social security system.

III. On Reform of the Economic Structure

The Seventh 5-Year Plan is a key period, in which our country's economic structure will change from the old to the new model. Continuing and deepening systematic reform of the economic structure will be an important guarantee for implementing Shanghai's economic development strategy and fulfilling the Seventh 5-Year Plan.

During the Seventh 5-Year Plan, the goals of reform of the economic structure in Shanghai are as follows:

1. It is to firmly implement the decision and regulations of the party Central Committee and the State Council on expanding the power of enterprises to make decisions and further invigorate enterprises, especially large and medium-sized state enterprises.

2. It is to further expand the socialist commodity economy, strengthen the circulation of goods in key urban areas, and gradually improve the market system.

3. It is to strengthen and improve means of regulating economic operations, pay attention to the macroeconomic control system and shift state control of enterprises from direct to indirect means.

4. It is to promote lateral economic associations between different regions, departments, and trades to meet the need of production and circulation.

5. It is to actively create conditions for gradually improving administrative organizations, rules, and regulations inorder to cope with the new system.

In order to realize the above-mentioned goals, generally complete the change from the old to the new economic system and put Shanghai's urban economic structure onto the new track, we must effectively carry out the following work:

1. Further Invigorating Enterprises, Especially Large and Medium-Sized State Enterprises

Enterprises must truly become relatively independent economic entities, socialist commodity manufacturers and dealers with full authority for their own management and full responsibility for their own profits and losses. Except for a handful of enterprises, the overwhelming majority should have assumed responsibility for their own profits and losses by the end of the Seventh 5-Year Plan. It is necessary to continue to implement the various regulations of the State Council and the municipal government regarding expanding enterprises' decision-making power. Management departments at all levels must delegate more power regarding production and dealership to enterprises, guide them in the exercise of such powers, and render them better service. To constantly enhance the enterprises' capability in accumulation, transformation, and development, it is essential to systematically reduce the enterprises' regulatory tax and raise the depreciation rate for the fixed assets of some trades in accordance with state regulations. In the light of unified arrangements by the State Council, we must also gradually reform the enterprises' wage system, perfect the director (or manager) responsibility system, institute multifarious forms of economic responsibility systems, actively enhance the modern management level of enterprises, cut down the enterprises' number of administrative tiers, and through experiment, gradually reform the structure of companies of an administrative nature. We must further bring into play the active role of the collective economy in the national economy. We must also carry on reform of small state enterprises by turning them into collective enterprises, vigorously develop the collective economy, guide and develop the individual and other forms of economy.

An important aspect in the reform of the economic structure is to develop lateral economic ties. Hence, it is necessary to vigorously promote various forms of lateral economic association between enterprises, and break the numerous barriers characterizing the old economic system, in order to accelerate reform of the entire economic system and advance progress to socialist modernization.

2. Further Expanding the Socialist Commodity Market and Gradually Improving the Market System

We must continue to improve the wholesale system, properly run wholesale companies and trade centers, and establish the Shanghai Trading Information Center and several multipurpose large wholesale markets. We must also develop new modes of commerce, coordinating industry and commerce, agriculture and commerce, commerce and trade, agriculture, industry, and commerce. Through improving management and operation of the trade centers and exchange markets, we should strive to improve the marketability of commodities, regulare supply and demand, exchange information, promote circulation, and perfect their service. While gradually reducing the variaties and quantities of materials under unified state allocation and distribution, we must ensure supply of the principal materials required under mandatory planning. Under guidance and management of the people's banks in the municipality, we must fully bring into play the role of the Shanghai branches of the various specialized banks, make efforts to properly run the Bank of Communications, appropriately expand powers for the grassroots financial institutions, develop more channels and modes of financial credit, encourage borrowing between banks in a planned way, experiment with the issuance of debentures and stocks, open more channels for enterprises in raising funds, enhance the efficient utilization of funds, and gradually bring about the formation of a financial market. Simultaneously, we must broaden and activate the technology market, consumer goods' markets, the means of production, finance, technology, and real estate in order that a socialist market can take shape. Pricing reform during the Seventh 5-Year Plan should be carried out in accordance with the State Council's unified arrangements in a planned and systematic way. A number of measures must be taken to mitigate the influence of price adjustments in raw and semifinished materials. And to ensure general price stability of the market.

3. Instituting a New Macroeconomic Management System

During the Seventh 5-Year Plan, we should comprehensively implement the measures to strengthen macroeconomic control as the party Central Committee and the State Council have instructed. Economic operations should be controlled and regulated by gradually improved economic and legal measures, supplemented by necessary administrative means. The mainly direct control should gradually be changed to a mainly indirect control. We should further reform the planning system, reduce the proportion of mandatory planning, pay attention to economic information and economic forecast, carry out macroeconomic control and regulation through the financial, banking and tax departments, and gradually shift the stress of planning work to managing the economy mainly with economic policies and economic levers. We should improve local economic legislation and adjudication, establish and imrpove government economic legal institutions, and strengthen institutions of economic inspection and supervision. We should readjust government economic management organization, reduce levels, simplify administrative procedures, and separate government functions from enterprise management.

In order to accomplish reform in the economic structure, it is necessary for us to enhance our understanding of that reform.

We should enhance our understanding and put reform above all else. During the Seventh 5-Year Plan, reform of the economic structure is a very arduous task. Cadres at all levels should seriously study important party and government documents concerning reform, thoroughly understand the characteristics, objectives, orientation, tasks, and relevant policies of economic structural reform, unify their thinking and enhance their understanding. We should soberly understand Shanghai's role in China, live up to the expectations placed on the municipality by the party Central Committee and the State Council, and truly put reform above all else. We should display a courage to pioneer and introduce new ideas, assume a scientific attitude of seeking truth from facts, adhere to the principle of establishment before abolition, constantly further reform, and strive to march in the front row with our peers.

We should consolidate our confidence and correctly understand the complexity and arduousness of the reform. Currently, we are in the process of substituting a new structure for the old. While a considerable part of the old structure is still functioning, the new has begun to work. As a result, frictions and contradictions often exist between the two structures. The period of overlap of the two structures will not be very short. However, we should not let equilibrium between the two structures drag on too long, otherwise, both our reform and our construction will be adversely affected. Because the old structure is still playing a big role, our present reform task is even more arduous. Psychologically, we should be fully prepared. During the transition from the old structure to the new, there will be contradictions, and naturally there will be different views or even arguments over matters concerning the reform. We should not let a little problems in our work shake our confidence in reform. We should carefully plan and guide the reform, solve problems in our work in good time, and make the new structure hold a leading position as soon as possible.

We should adapt our thinking to a planned commodity economy as soon as possible. Shanghai is an old industrial base with a processing industry and state enterprises holding a dominant position. After a long period of direct government management of the economy, we have become accustomed to a system of mandatory planning, under which the state assigns tasks, supplies raw and processed materials, and monopolizes the marketing of products. The new situation created by the comprehensive reform is demanding of our cadres at all levels to change old patterns and outmoded ideas, and learn as soon as possible how to conscientiously use the law of value and the market mechanism to enhance the ability of enterprises to deal with the changing market situation, in competition and in self-transformation. It also demands of us to learn how to use economic and legal measures to regulate economic activities in society through various economic organizations, and to improve our skills in indirect management.

In short, our reform task during the Seventh 5-Year Plan is very arduous. We must sum up experience in the course of practice, carefully consider the present and the future, do meticulous work, and soundly promote reform.

During the Seventh 5-Year Plan, we must build socialism in both material and spiritual aspects, meaning a prerequisite of, and a supplement to, each other. Stressing the need to build "two civilizations" simultaneously, we must pay close attention to building spiritual civilization. It is necessary to intensify ideological and political work in accordance with the tasks and demands of the new period, and regularly conduct education among the masses of cadres and people in ideals, morality, general knowledge, and discipline, as well as in the situation and policies. It is necessary to further launch the "five stresses, four beauties, and three ardent loves" activities, and encourage the spirit of working hard for the modernization and revitalization of the Chinese nation, in order to resist and oppose the inroads of decadent bourgeois and feudalistic ideas. It is necessary to continue to stress the principle of material incentive while striking at ideas and acts of seeking private gain at public expense and "putting money above anything else." Special efforts should be made to closely coordinate school, family, and community in intensifying ideological education among youngsters to ensure healthy growth of the younger generation. It is necessary to deepen the activities for "civilized residents, units, and cities," step up education in professional ethics among all trades and professions, adn build the "ten major civilized windows" by improving service quality and attitude, treating others with courtesy, respecting the old, assisting the young, readily helping others, keeping public places clean, and observing traffic regulations, thereby building Shanghai into a civilized socialist city.

Departments engaged in teh study of social sciences should conduct in-depth and systematic study on major theoretical and policy questions regarding social development and reform, and strive to complete a number of quality projects and offer good advice to governments at various levels.

As culture is an integral part of socialist spiritual civilization, we should energetically develop and nurture various cultural undertakings during the Seventh 5-Year Plan in order to enrich the people's spiritual life and raise their intellectual and moral standards. In newspaper publication, it is necessary to improve the quality of newspapers and accelerate the construction of business buildings for the three newspapers. It is also necessary to pay attention to the social benefits of publication work, speed up the technological transformation of printing enterprises, and expand their printing capacity and quality. We should enrich radio and TV programs, improve their quality, increase broadcasting hours, and shoot more TV films reflecting the characteristics of the times and providing inspiration for the people. We should also encourage literary and artistic creation, build more stages for literary and artistic performances, and improve their quality. In stepping up construction of cultural facilities, it is necessary to build and renovate a few movie houses and theaters, raise funds to build culture and arts centers, facilitate construction of the new building for the Shanghai Library, and improve the management of museums, archives, and other cultural establishments. We should extensively unfold mass physical culture activities, build up the people's physical strength, and vigorously train good coaches and athletes in order to win more victories in competition at home and abroad.

It is necessary to give further expression to socialist democracy and improve the socialist legal system. Efforts should be made to popularize legal knowledge and enhance legal sense among the municipality's residents within the next 5 years. It is necessary to mobilize and rely on various quarters to take concerted action to improve public order, deal firm blows at serious economic crime and criminal offenses, and check and prohibit all improper activities corrupting general social conduct. It is also necessary to further implement the responsibility system in public security, educate, help, and transform criminals with minor offences, and do everything possible to further stabilize society. We are convinced that, by relying on the broad masses of people under the leadership of the municipal party committee, we shall definitely be able to achieve a fundamental improvement in prevailing social conduct and create a good social environment for transforming and revitalizing Shanghai.

Deputies:

The implementation of the Seventh 5-Year Plan is a glorious and yet arduous task, and we feel deeply that we have a heavy responsibility. In order to live up to the trust placed in us by the Shanghai people, we shall firmly improve government organizations at all levels, and seriously pay attention to the following three tasks:

We shall reform the administrative organization. The municipal government will be reformed in accordance with a principle of separating government functions from business management, simplifying administration and decentralization, and the indirect management of enterprises. It will gradually readjust its organization, strengthen multifunction departments, disorganize or merge overlapped organizations, reduce management levels, and streamline temporary agencies. It will strengthen its leadership over district and county governments, improve and readjust district and county governmental organizations, and make district and county governments play a greater role in urban construction and management, the building of spiritual civilization, management of the collective and individual economy, and development of tertiary industry. We shall strengthen the basic level administration of neighborhoods, townships, and towns, particularly the offices of neighborhoods newly-added to urban districts, in order to gradually establish a more reasonable and highly efficient urban government management system.

We shall improve our leading methods. We are in a period of great change caused by reforms and opening to the outside world. Leading cadres at all levels and all staff members should conscientiously adapt themselves to the changes, study basic Marxist theories hard, gain economic and specialized knowledge, go among the masses at the grassroots units, pay attention to investigation and study, and improve our ability to make decisions scientifically and to deal with problems. We should know that the management of a modern city, especially a big city like Shanghai, is very complex systems engineering, and the leaders' knowledge and experience alone are not enough for the job. In addition to continuing to rely on government departments, we should bring into play the role of the research and consultancy departments in solving major problems. We should solicit opinions from all quarters, pool the wisdom of the masses, compare all options before making a final decision, and raise the scientific level and feasibility of the decision. Government economic management departments should gradually change their working methods. They should no longer devote their energy to assigning quotas, approving construction projects, allotting funds and materials. Instead, they should carry out overall planning, implement policies, organize coordination, provide services, use economic means of regulation, and exercise effective inspection and supervision.

We shall improve our workstyle. The behavior and workstyle of government functionaries have a direct bearing on the image of the government in the eyes of the people. In order to improve our workstyle, we should pay attention to three things. First, we should strengthen unified leadership. On the basis of fully displaying democracy, we should know how to practice centralism and make resolute decisions. Decisions must be implemented and no one should go his own way. Important projects must be firmly carried out to the end. We must coordinate all concerned and solve problems in good time to ensure completion of the projects on schedule. Second, we should improve working efficiency. Government departments at all levels should establish a clear and definite system of responsibility, perform their duties, strengthen lateral ties among themselves, coordinate work on their own accord, and correct the workstyle of wrangling and being dilatory in doing things. We should improve our practice at meetings. A work meeting must be attended by representatives of the organizations concerned, so that it can make definite and feasible decisions. We should reduce meetings and documents to give cadres at all levels more time to go deep into the realities of life to solve problems. Third, it is necessary to encourage the spirit of doing solid work and renouncing empty talk in favor of practical work. Government departments at various levels should make arrangements for their work and inspect it, and they should "keep their promises and take resolute action." This year, the municipal government should carry out 15 practical tasks having a close bearing on the people's daily life, and it should make it a practice to carry out similar tasks every year in the future. Government functionaries should bear firmly in mind the purpose of serving the people wholeheartedly, be modest and prudent, and be honest and devoted to their official duties; they should not abuse their powers to seek personal gain; and they should forge close ties with the masses, continue to improve their workstyle, play an exemplary role, and be a public servant trusted by the masses of people. We warmly welcome you deputies and people in the municipality to supervise, criticize, and help with the work of the municipal government.

Deputies, the Seventh 5-Year Plan shows a grand, beautiful future for us. At the same time, we should fully realize that our tasks are arduous. Because the financial and material resources we can use during the Seventh 5-Year Plan are limited, many long-standing problems cannot be solved overnight. Solving such problems will call for a long, hard struggle by people throughout the municipality. We believe that under the correct leadership and kind attention of the party Central Committee and the State Council, and under the direct leadership of the municipal party committee, we can certainly successfully carry out the Seventh 5-Year Plan through the arduous efforts and heroic struggle of Shanghai's workers, peasants, intellectuals, cadres, members of the PLA, and security policemen with a glorious revolutionary tradition, through the unity and concerted efforts of democratic parties, various nationalities, and personages who aredently love the socialist motherland, and with Shanghai's favorable conditions as an open city and the vigorous support of various fraternal provinces and municipalities. In so doing, we shall lay a solid foundation for making Shanghai an open, multifunctional, modern socialist city with a rational structure of industrial production, advanced science and technology, and a high degree of civilization by the end of this century.

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ANHUI PEOPLE'S CONGRESS SESSION ENDS

OW200545 Hefei ANHUI RIBAO in Chinese 29 Apr 86 p 1

[Excerpts] After successfully completing all scheduled tasks, the Fourth Session of the Sixth Anhui Provincial People's Congress came to a triumphant conclusion at Jianghuai Grand Theater on the morning of 28 April.

The session called on workers, peasants, intellectuals, and cadres, as well as PLA commanders and fighters; judicial, procuratorial, and public security cadres and police; and all democratic parties, people's mass organizations, and patriots to work with one heart and one mind, display the spirit of the foolish old man who moved the mountain, and strive for the fulfillment of the tasks for this year and the gigantic Seventh 5-Year Plan under the leadership of the CPC Central Committee, the State Council, and the Anhui Provincial CPC Committee.

The executive chairmen of the sessions were Huang Huang, Wang Guangyu, Su Yu, Su Hua, Zhang Zuoyin, Wei Xinyi, Xia Deyi, Zheng Rui, Yang Chengzong, Zhao Minxue, Ying Yiquan, Kang Zhijie, Du Weiyou, Zheng Huaizhou, and Hu Xiangnong.

The session adopted a resolution on Anhuis Seventh 5-Year Plan and the report on the plan and decided to approve Governor Wang Yuzhao's report "Persist in Reform, Realize the Splendid plan, and Strive To Fulfill Anhui's Seventh 5-Year Plan" made on behalf of the provincial people's government and to approve in principle the "Seventh 5-Year Plan for Anhui's Economic and Social Development" formulated by the provincial people's government.

The session also adopted resolutions on Anhui's 1986 plan for economic and social development; on Anhui's 1985 final accounts and 1986 budget, on the report on the work of the provincial people's Congress Standing Committee; on the report on the work of the provincial Higher People's Court; and on the report on the work of the provincial People's Procuratorate.

The session approved requests by Zhang Zuoyin to resign from the post of vice chairman and by Tian Lei and Li Jixiang to resign as members of the sixth provincial People's Congress Standing Committee. The deputies accordec Zhang Zuoyin, Tian Lei, and Li Jixiang warm applause to thank them for their meritorious services to the sixth provincial People's Congress Standing Committee.

The session approved the "election rules" and a namelist of general scrutineer and scrutineers. Through secret ballot in a by-election, the session elected Chen Tingyuan [7115 1656 0337] as vice chairman and Shi Yuansheng [0670 0337 3932], Li Dajing [2621 1129 4842], Zhou Zhenjiang [0719 2182 1730], and Wei Fuifeng [7614 3843 1496] as members of the sixth Provincial People's Congress Standing Committee. The session also elected Tai Baozhou [6733 0203 3166] and Wang Zhicai [3769 2784 2088] as chief procurators respectively of the Chuxian and Chaohu branches of the provincial People's Procuratorate and Yao Heting [1202 7729 0080] as president of the Anqing Prefectural Intermediate People's Court.

Seated on the rostrum were, in addition to members of the session presidium, the governor and vice governos of the provincial people's government, the president of the provincial higher people's court, and the chief procurator of the provincial people's procuratorate, as well as veteran Comrades Huang Yan, Li Shinnong, and Zhang Kaifan.

Some NPC deputies from Anhui attended the session as observers. Also attending the session as observers were other officials of the provincial people's government and responsible persons of departments subordinated to the central authorities, organs directly under the provincial government, and colleges and universities in Hefei.

The session closed victoriously amidst the majestic national anthem.

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PROVINCIAL AFFAIRS

HEBEI: SIXTH PROVINCIAL PEOPLE'S CONGRESS ENDS

SK200817 Shijiazhuang HEBEI RIBAO in Chinese 5 May 86 p 1

[Excerpts] The 10-day fourth session of the Sixth Provincial People's Congress was successfully concluded this afternoon after fulfilling all its scheduled tasks.

The executive members of the congress presidium served as the executive chairmen of the closing ceremony of the congress session. They were Sun Guozhi, Wu Qingcheng, Guo Zhi, Yue Zongtai, Zhang Zhenchuan, Pan Chengxiao, Liu Ying, Wang Yu, Han Qimin, Wang Youhui, and Li Tie.

Seated on the rostrum were Xing Congzhi, Xie Feng, Yang Zejiang and Yin Zhe, as well as the executive chairmen of the congress, and other members of the congress presidium.

Also seated on the rostrum were responsible comrades of the provincial CPC committee, including Li Wenshan, Zhang Chao, Ye Liansong, Lu Chuanzan, Qu Weizhen, Bai Shi, and Chen Yujie, and responsible comrades of the provincial government, the provincial CPPCC committee, the provincial military district, the various democratic parties, the provincial higher people's court, and the provincial people's procuratorate, including Wang Zuwu, Hong Yi, Zhang Runshen, Li Feng, Xu Chunxing, Bai Tieshi, Chen Lintang, Ma Zhuozhou, Wang Enduo, Ma Xinyun, Liu Zongyao, Du Jingyi, Dong Xuelin, Zhang Pingdong, Liu Zhiqi, Yang Naijun, Liu Zhenhua, Zhu Zeji, and Yu Zhenzhong.

Also seated on the rostrum were Wang Zheng, Zeng Mei, Niu Shucai, Hu Kaiming, Cao Youmin, Ge Qi, Ding Tingxin, Zhao Zhuoyun, Zhao Zhenzhong, Zhou Xueao, and Lu Zhiguo.

The session pointed out that the guidelines, principal tasks and work plans defined in the Seventh 5-Year Plan are correct and the stipulated fighting objective is feasible, and that it is possible to realize them through common efforts of the people throughout the province. It also pointed out that the guidelines, objective, and plans accord with the demands of realizing the grand goal by the end of this century.

At the fifth plenary meeting of the fourth session of the Sixth Provincial People's Congress held this morning, deputies elected Xie Feng governor of the provincial People's Government, and some members of the Standing

Committee were elected to people's congress through by-elections and secret vote.

The results of the by-elections were first announced at the closing ceremony held this afternoon. The session then adopted in success [word indistinct] resolution on the report of the Hebei Provincial "Seventh 5-Year" Plan; a resolution on the report of the draft 1986 Hebei Provincial economic and social development plan; a resolution on the report of the 1985 Hebei Provincial financial account and of the 1986 draft financial budget; regulations on popularizing compulsory education in Hebei Province; a resolution on the work report of the Hebei Provincial People's Congress Standing Committee; a resolution on the work report of the provincial Higher People's Court; and a resolution on the work report of the provincial People's Procuratorate. The congress session came to an end amid the grand playing of the national anthem.

The executive chairman of this morning's session were Han Qimin, Zhang Zhenchuan, Wang Wanchun, Zhang Chunfu, Yang Xiangrong, and Cao Xi.

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PROVINCIAL AFFAIRS

REPORTAGE ON XIZANG PEOPLE'S CONGRESS SESSION

Preparatory Meeting Held

HK200207 Lhasa Xizang Regional Service in Mandarin 1130 GMT 19 May 86

[Excerpts] A preparatory meeting for the fourth session of the Fourth Xizang Regional People's Congress was held in the Lhasa Theater this morning. The meeting announced that the preparatory work for the session has been completed, and the session will open on 20 May. Pagbalha Geleg Namgya, vice chairman of the Regional People's Congress Standing Committee, presided at the meeting.

The session agenda will be as follows: 1) To hear and discuss a regional government report on the draft of the region's Seventh 5-Year Plan for national economic and social development, and to examine and approve this plan; 2) to hear and discuss a report of the regional economic and planning commission on the draft plan for the region's national economic and social development in 1986, and to examine and approve this plan; 3) to hear and discuss a report of the regional finance department on the final accounts for 1985 and the draft budget for 1986, and to examine and approve the final accounts and the budget; 4) to hear and discuss the work report of the regional People's Congress Standing Committee; 5) to hear and discuss the work report of the regional Higher People's Court; 6) to hear and discuss the work report of the regional People's Procuratorate; 7) appointments and dismissals; 8) other.

People's Congress Session Opens

HK210249 Lhasa Xizang Regional Service in Mandarin 1130 GMT 20 May 86

[Excerpts] The fourth session of the Fourth Xizang Regional People's Congress opened in Lhasa today. Pagbalha Geleg Namgya presided at the opening ceremony. Present were responsible comrades of the party, government, and army in the region including Raidi, Basang, Mao Rubai, and Puqung.

Doje Cering, acting-chairman of the regional People's Government, delivered a report on the region's Seventh 5-Year Plan. The report was in three parts: 1) the execution of the Sixth 5-Year Plan; 2) the basic tasks and focal points for the Seventh 5-Year Plan; 3) the main policies and measures for accomplishing the Seventh 5-Year Plan.

In the first part of the report, he reviewed the region's great achievements during the Sixth 5-Year Plan. He announced that the main targets of the plan were basically completed. The national economy developed, and progress was made in all undertakings. There was a marked improvement in the living standards of the peasants and herdsmen, and some of them started to get rich. Socialist nationality relations of equality, solidarity, and mutual assistance continually developed. The present is the best political and economic period in Xizang since its peaceful liberation.

In the second part of his report, Doje Cering said that by 1990 the region's total industrial and agricultural output value should reach 1.2 billion yuan and gross domestic product should reach 1.49 billion yuan, which are respectively 34.8 percent and 33 percent higher than the 1985 figures. The basic tasks during the Seventh 5-Year Plan are as follows:

1. Carry out deepgoing and systematic reform of the economic structure, and further harmonize the various relationships. We must strengthen our own vitality, improve economic results, and make good progress in accomplishing the two switches. During the period of the plan, we should basically bring the region's economy into an open-style and operational-type track.

2. We should vigorously develop commodity economy centered on the basic task of eliminating poverty and enriching the people, and bring about a relatively big improvement in the masses' living standards. Average peasant and herdsman income by 1990 should reach 500 yuan.

3. Open up more sources of increasing revenue and strive for a turn for the better in the financial situation. We should eliminate our deficits.

4. We must make the greatest efforts to step up key construction work, technological transformation, and exploitation of brain-power. We should prepare the necessary material, technological, and talent reserves for continued economic and social development in the region in the 1990's.

We must focus on the following seven tasks in order to attain the goals and task of the Seventh 5-Year Plan: 1) Seriously grasp agriculture and animal husbandry, the foundation, 2) Make the greatest efforts to improve education. 3) Strengthen the construction of energy, communications, and telecommunications. 4) Vigorously develop tourism. 5) Further develop external economic and trade ties. 6) Actively develop nationality handicrafts and the processing industries. 7) Actively develop ming.

In the third part of his report, Doje Cering proposed seven major policies and measures for accomplishing the Seventh 5-Year Plan: 1) We must continually straighten out the guiding ideas on economic work. 2) We must carryout deepgoing and systematic reform of the economic structure. 3) We must persevere in opening up to the world. 4) We must tap more sources of increasing financial revenue. 5) Attach importance to capital construction and strengthen management over it. 6) Build the two civilizations simultaneously. 7) Improve work style.

Doje Cering Reviews Sixth 5-Year Plan

HK220423 Lhasa Xizang Regional Service in Mandarin 1130 GMT 21 May 86

[Excerpts] In his report to the fourth session of the Fourth Regional People's Congress, Regional Government Acting Chairman Doje Cering said: The 5 years of the Sixth 5-Year Plan were a period of claring away leftist influence, bringing order out of chaos, and gaining a fresh and deeper understanding of Xizang.

He said: The region's total industrial and agricultural output value in 1985 amounted to 100.45 percent of the Sixth 5-Year Plan target and showed an increase of 27.4 percent over 1980, having risen at an annual rate of 4.9 percent. Agriculture and animal husbandry production revived and developed amid reform and readjustment during the 5 years. Industrial and communications production made some progress amid reform and fulfilled the Sixth 5-Year Plan targets. In particular, nationality handicrafts focused on collective and individual operations have revived and developed relatively rapidly in recent years.

There has been a great improvement in the basic conditions of communications and transport. The transport tasks were fulfilled relatively well. Construction of rural roads and bridges developed somewhat. Collective and individual transport undertakings developed rapidly. Total motor vehicle freight transportation amounted to 131 percent of the plan. Preparations for the establishment of the Xizang Aviation Company are now underway.

The region scored notable success in capital construction and technological transformation during the 5 years. Investment completed in fixed assets amounted to 80 percent more than during the Fifth 5-Year Plan.

New developments have occurred in the region's external economic relations and trade. Tourism is gradually developing, and tourist facilities have now formed on an initial scale.

Expenditure on education during the Sixth 5-Year Plan increased by 170 percent compared with the previous 5-year plan. Initial readjustments have been carried out in education.

The party's policy on freedom of religious belief has been further implemented, and the masses' legitimate religious activities have been respected and protected.

The party and government have made positive efforts to improve the people's living standards, which have risen markedly. This is mainly shown in the following ways: 1) The income of the masses in the agricultural and pastroal areas has increased relatively rapidly. The wages of workers in units owned by the whole people increased at an annual rate of 22 percent during the period of the plan. 2) There has been a marked increase in urban and rural consumption level, and changes are occurring in the consumption pattern. 3) Housing conditions have improved. 4) There has been a big increase in urban and rural savings deposits. 5) There has been relatively great development of urban public utilities.

Doje Cering Reports on Seventh 5-Year Plan

HK230205 Lhasa Xizang Regional Service in Mandarin 1130 GMT 22 May 86

[Excerpts] Acting Regional Government Chairman Doje Cering said in his report at the fourth session of the Fourth Regional People's Congress that the Seventh 5-Year Plan is a key period in carrying out reform of the economic structure, bringing about the two switches, putting the economy gradually onto the track of self-development and into a benignant cycle, and laying the foundation for the enrichment of the masses. He said: The basic tasks for the Seventh 5-Year Plan are as follows:

1. Carry out deepgoing and systematic reform of the economic structure, further harmonize relationships in all respects, increase self-vitality, and improve economic results. We should take a relatively great stride forward in bringing about the two switches.

2. Vigorously develop commodity economy centered on eliminating poverty and enriching the masses, and bring about a relatively great improvement in their living standards.

3. Open up more sources for increasing revenue, strive for a turn for the better in the financial situation, and eliminate deficits.

4. Do everything possible to step up key construction work, technological transformation, and exploitation of brain-power. We should prepare the necessary material, technological, and talent reserves for the region's economic and social development in the 1990's.

He said: We must focus on a number of tasks during the Seventh 5-Year Plan:

1. Seriously grasp agriculture and animal husbandry, the foundation. During the period of the plan, we must continue to persevere in the principle of focusing on animal husbandry, integrating animal husbandry, agriculture, and forestry, diversifying in light of local conditions, and developing commodity production. The economy in the agricultural and pastoral areas should gradually become specialized and modernized commodity economy.

2. Do everything possible to make a success of running education well. We must vigorously step up basic education during the Seventh 5-Year Plan, improve the quality of education, and adopt a variety of forms of running schools. We must give priority to teacher training and improve the building of the teacher force. We must straighten out and improve tertiary education and specialized secondary education, gradually develop adult education, and gradually establish teaching in both Tibetan and Chinese languages.

3. Strengthen energy, communications, and telecommunications construction. We must map out plans for developing electric power throughout the region. In communications, we must continue to get a good grasp of road construction and speed up the construction of air transport. We must step up the building of modern telecommunications, with the focus on developing ground satellite stations. We must develop domestic and international telephone and facsimile communications, and improve postal services.

4. We must vigorously develop tourism.

5. Further develop foreign economic relations and trade. During the Seventh 5-Year Plan, we must focus on the cardinal links of production and procurement centered on increasing our ability to earn foreign exchange from exports. We must organize relatively ample resources of exports. We should set up a variety of export commodity bases and gradually from a relatively complete export production setup.

While upholding the principle of unified external dealings, we should further relax the policies and vigorously develop trade with neighboring countries and border trade.

6. We should actively develop nationality handicrafts and processing industries.

7. We must actively develop mining. In the next 5 years, we should gradually establish and put on a sound basis a local mining legal system, carry out geological prospecting in a planned way, and map out plans for exploiting and using resources. The government and the departments concerned should provide assistance and guidance in capital, technology, equipment, transport and sales.

Congress Hears Planning, Budget Reports

HK230207 Lhasa Xizang Regional Service in Mandarin 1130 GMT 22 May 86

[Text] The fourth session of the Fourth Xizang Regional People's Congress held its second full gathering on the afternoon of 22 May. (Xiang Yang), director of the regional Economic and Planning Commission, delivered a report on the draft 1986 national economic and social development plan for 1986. (Li Liangyan), deputy director of the regional finance department, reported on the final accounts for 1985 and the draft budget for 1986.

Director (Xiang Yang) said that the guiding idea in arranging this year's plan is to continue to implement the series of important central instructions on work in Xizang and the spirit of the enlarged meeting of the regional CPC Committee Standing Committee, base everything on Xizang realities, further eliminate leftist influence in economic work, continue to practice the principle of opening up to the world and invigorating the domestic economy, persevere in reform, and strengthem macroeconomic control. It is necessary to maintain a certain economic growth rate under the premise of improving economic results, which must be assigned an important strategic position. We should actively develop tourism and foreign trade. Other undertakings should develop correspondingly. Urban and rural living standards should be further improved on the basis of the development of production. We must also get a good grasp of building spiritual civilization.

(Li Liangyan) said in his report: In view of the region's actual financial state, the principle in arranging the budget for this year is to ensure the expenditure needs for the population, for normal undertakings, and for structural reform, cut expenditure on capital construction and on administration, support the masses in getting rich, and support the development of education and tourism.

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PEOPLE'S CONGRESS SESSION OPENS IN HEILONGJIANG

SK210359 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 20 May 86

[Excerpts] The fourth session of the Sixth Heilongjiang Provincial People's Congress opened at the theater of the provincial exhibition hall this morning.

Today's session was presided over by the executive chairmen of the congress, including Li Jianbai, Chen Yuanzhi, Lu Guang, Wei Zhimin, Wang Jinling, Liu Huixian, Wang Pili, Wang Zhaozhi, Zhao Zhenhua, and Zhang Ruoxian. At 0830, Li Jianbai declared the opening of the congress session.

At the session, on behalf of the provincial government, Governor Hour Jie delivered a report on the Heilongjiang Provincial Seventh 5-Year Plan for economic and social development. The title of Governor Hou Jie's report is: persist in reform, work in a down-to-earth manner, and strive to realize the province's Seventh 5-Year Plan.

Seated on the rostrum of today's session were members of the congress presidium, and leading comrades of the provincial CPC Committee, and provincial Advisory Commission, the provincial government, and the provincial CPPCC Committee, including Sun Weiben, Hou Jie, Wang Zhao, Li Genshen, Chen Yunlin, Zhou Wenhua, Wang Yusheng, Li He, Wang Luming, Zhang Lin, Wang Lianzheng, An Zhendong, Liu Zhongli, and Jing Bowen.

Also seated on the rostrum were Zhang Li, president of the provincial Higher People's Court, and Jia Chengwen, chief procurator of the provincial People's Procuratorate, and retired veteran cadres of the province, including Zhao Dezun, Wang Yilun, Chen Jianfei, Ni Wei, Zhang Ruilin, and Wang Minggui.

Committee members attending the fourth session of the Fifth Provincial CPPCC Committee; responsible persons of various democratic parties; responsible comrades of some provincial-level commissions, offices, departments, and bureaus; and responsible comrades of some prefectures, cities, and counties and the military subdistricts attended today's session as observers.

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PROVINCIAL AFFAIRS

REPORTAGE ON GUANGDONG PEOPLE'S CONGRESS SESSION

Luo Tian Declares Meeting Open

HK210349 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 21 May 86

[Excerpts] The fifth session of the Sixth Guangdong Provincial People's Congress opened in the Zhongshan Memorial Hall this morning, attended by 986 people's deputies. The executive chairmen today were Luo Tian, Lin Ruo, Ren Zhongyi, Li Jianzhen, Liu Tianfu, Liang Lingguang, Wang Ning, Wu Nansheng, Zhang Juhui, Xue Yan, Yi Meihou, (Guo Yixin), (Liao Buru), (Yang Wengui), and (Zhong Yaokui). Luo Tian, chairman of the provincial People's Congress Standing Committee, declared the session open at 0900. Governor Ye Xuanping delivered a report on the draft of the province's Seventh 5-Year Plan for national economic and social development.

He first reviewed and affirmed the achievements of the province during the Sixth 5-Year Plan in persevering in reform and opening up to the world. He continued [begin recording]: By 1990, the province will have formed a considerable industrial and agricultural production capacity with a relatively rational pattern. The open zones will further play their role as windows of technology, management, nowledge, and the open policy, and their external and internal radiation roles. There will be a marked improvement in the energy shortage as a result of the construction of a number of thermal power stations, and the linking up of the Guangdong and Guangxi power grids, plus the exploitation and use of natural gas and offshore oil. In air, waterway, railroad, and highway communications and in telecommunications, a network will be formed, centering on Guangzhou, linking up places inside and outside the province, Hong Kong, Macao, and foreign countries. A system of scientific research serving economic construction and of its popularization will be initially formed. The province will form in foreign economic relations and trade an export commodity setup with strong market competitiveness, good foreign exchange earnings capability, and Guangdong characteristics. The markets and tourism will become more flourishing. The province will enjoy good political stability and social order and mood. The people will be happy in their lives and business. Guangdong will enter a new period of economic invigoration. [end recording]

Governor Assesses Sixth 5-Year Plan

HK220849 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 22 May 86

[Text] Governor Ye Xuanping said in his report at the fifth session of the Sixth Provincial People's Congress that most of the targets set for the Sixth 5-Year Plan were fulfilled or overfulfilled. The Sixth 5-Year Plan goes into the history book as the most prosperous in the province's history.

Ye Xuanping said: The province's economy achieved sustained and steady growth during the Sixth 5-Year Plan. Total industrial and agricultural output value in 1985 was 69.1 billion yuan, having risen at an annual rate of 13.6 percent during the 5 years. Gross social product, gross domestic product, and financial revenue all rose by an annual average of more than 13 percent. National income rose at an average annual rate of 11.7 percent. Such growth was higher than what the province recorded during the Fifth 5-Year Plan and also exceeded the national average. This was the fastest period of economic growth in the province since the founding of the state.

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REPORTAGE ON HUNAN PEOPLE'S CONGRESS SESSION

Mao Zhiyong, Others Attend Opening

HK220315 Changsha Hunan Provincial Service in Mandarin 1000 GMT 21 May 86

[Excerpts] The fourth session of the Sixth Hunan Provincial People's Congress opened in Changsha today. The opening ceremony was attended by Mao Zhiyong, Xiong Qingquan, and other leading comrades of the party and government in the province. Executive Chairman Jiao Linyi declared the session open at 0900.

Governor Xiong Qingquan delivered a government work report to the session. The report was in four parts: 1) the main achievements during the Sixth 5-Year Plan; 2) the basic tasks and strategic focal points during the Seventh 5-Year Plan; 3) get a good grasp of this year's economic work; 4) vigorously step up the building of socialist spiritual civilization and the legal system.

Also present at the opening ceremony were responsible comrades of the provincial CPC Committee, advisory commission, discipline inspection commission, government, CPPCC, and military district including Liu Zheng, Liu Fusheng, Wan Da, Zhao Chuqi, Shi Xinshan, Chen Bangzhu, Wang Xiangtian, Cao Wenju, Yu Haichao, Yang Huiquan, Chen Xinling, Yin Changmin, Zhou Zheng, Tong Ying, Peng Mingbing, (Shi Jinhu), Jiang Jinliu, and Gu Shanqing.

The session held its second full gathering in the afternoon. (Wang Xiaofeng), director of the provincial planning commission, reported on the draft provincial economic and social development plan for 1986. (Xu Baoyuan), director of the provincial finance department, reported on the final accounts for 1985 and the draft budget for 1986.

(Wang Xiaofeng) said: As far as reforms are concerned, this year the province must concentrate on consolidation, digestion, replenishment, and improvement, and prepare for new strides in reform next year and the year after. In economic construction, we must continue to control investment in fixed assets and excessive growth in consumption funds. We must also strive to improve supplies, further invigorate the economy, and strive for a rough balance between social supply and demand, thus ensuring steady and coordinated development of the national economy.

(Wang Xiaofeng) said: The province's industrial and agricultural output value this year should raise by 7.5 percent over last year. He also reported on the specific tasks and main measures for this year.

(Xu Baoyuan) then reported on the final accounts for 1985 and the draft budget for 1986. He said: The province had a balanced budget in 1985 and also maintained the surplus level of the previous year. On the draft budget for 1986, he said: This year we must further perfect the fiscal and taxation reform measures, vigorously develop production, and further improve economic results. We must tap more sources of increasing revenue and ensure key construction work. We must focus on supporting the development of education and science, and appropriately increase investment in agriculture. On the basis of developing production and improving economic results, we should continue to improve living standards. We should maintain a balanced budget through strengthening comprehensive balance and fiscal controls, and achieve a slight surplus. He also reported on specific measures for achieving the tasks in this year's budget.

Governor Gives Government Work Report

HK230405 Changsha Hunan Provincial Service in Mandarin 0900 GMT 22 May 86

[Excerpts] In his government work report at the fourth session of the Sixth Provincial People's Congress, Hunan Governor Siong Qingquan first reviewed the province's main achievements during the Sixth 5-Year Plan.

He said: Most of the tasks and goals of the Sixth 5-Year Plan were fulfilled or overfulfilled. Gross domestic product rose at an annual average of 9.6 percent during the 5 years, while national income rose at an annual average of 813 percent. Industrial and agricultural output value rose at an annual average of 8.7 percent. Agricultural output value, including village-run industries, rose at an annual average of 8 percent. Industrial output value rose at an annual average of 9.3 percent. Local financial revenue, calculated according to comparable headings, rose at an annual average of 9.2 percent.

The province's grain output in 1985 was 25,143,000 tons, having risen at an annual average of 3.4 percent. Output of pork, beef, and mutton was 1,385,100 tons, having risen at an annual average of 8.4 percent. In 1985 Hunan ranked among the top five in the country in production of grain, pigs, tea, tobacco, jute, ambary hemp, ramie, and reshwater products.

The province's coal output in 1985 was 29.45 million tons, having risen at an annual average of 4.2 percent. Electric power generation was 14.75 billion kilowatt hours, having risen at an annual average of 4.4 percent. Steel output was 1.09 million tons, having risen at an annual average of 9.5 percent. The province ranked among the top five in the country in production of 10 nonferrous metals, chemical fertilizer, sulphuric acid, and cigarettes. We were among the 12 provinces and municipalities producing more than 1 million tons of steel a year.

The province made major progress in capital construction and technological transformation during the Sixth 5-Year Plan. New developments occurred in science and technology, education, culture, public health, and sports. Living standards in urban and rural areas showed notable improvement. Comparing 1985 with 1980, the average net income of the peasants rose from 220 yuan to 395 yuan, while the average cash earnings of urb an workers rose from 718 yuan to 1,109 yuan. Total urban and rural savings deposits at the end of 1985 were 5.011 million yuan, an increase of 340 percent over 1980.

Governor Xiong Qingquan also spoke on shortcomings and mistakes in work and on difficulties and problems on the way ahead. He said: After the party's work focus shifted to economic construction, we failed to carry out an intensive survey of the province's basic conditions, and our strategic ideas on economic development were not clear-cut enough. Not enough stress was placed on the strategic focal points. Although we could see that the shortage of electric power was a major factor constraining Hunan's economic development, we laid too much stress on the difficulties in solving this problem and failed to summon up sufficient resolve to concentrate efforts on electric power production.

Our support and service for agriculture in recent years has been ineffective. In particular, agricultural capital construction has been slackened somewhat. We have failed to take effective action in using our abundant agricultural and sideline production resources to speed up the development of the food and fodder industries and promote the township enterprises.

Governor Xiong Qingquan said: Although we have attached importance to assisting old revolution bases, minority-nationality areas, and remote and poor regions in developing production and solving the masses' livelihood difficulties, we have failed to do enough study of the actual problems there, and the policies and measures have not been sufficiently firmed up. While attaching importance to building material civilization, we have failed to get a sufficient grasp of building socialist spiritual civilization and the legal system. Certain factors of instability have appeared in our economic life amid our excellent economic situation. Supply of some materials has failed to meet demand. Prices rose too fast at one time. In capital construction, we have failed to strictly control construction projects not covered by the plan.

In improving and widening roads, although our point of departure was good and some successes were scored, due to failure to act according to capital construction procedures, to insist on scientific design and careful construction work, and to strictly enforce the laws and regulations on acquisition of land and demolition of houses, there was a rush into mass action, and in some cases compulsory orders were given which violated law and discipline and harmed the masses' interests. This is a profound lesson. The provincial government and the government at all levels have taken and are continuing to take steps to seriously solve this problem.

Governor Xiong Qingquan proposed the basic tasks and the major economic and social development targets for Hunan during the Seventh 5-Year Plan. He also gave views on questions related to achieving the main targets. He said: The basic tasks for the province during the Seventh 5-Year Plan are as follows:

1. Continue to promote all-round reform of the economic structure and basically lay the founation for a new-style socialist economic setup.

2. Maintain sustained and steady economic growth. Under the premise of controlling total investment in fixed assets, we should vigorously step up key construction work, technological transformation, and exploitation of brain-power, to strengthen our reserve force for economic and social development during the 1990's.

3. Continue to improve urban and rural living standards on the basis of developing production and raising economic results.

Governor Xiong said: In the course of 5 years of hard work, we should strive to catch up with and surpass the national averages in economic and social development targets, and ensure synchronous growth of industrial and agricultural output value, national income, and financial revenue. Calculated by 1985 prices, gross domestic product should rise by an annual average of 8.5 percent and national income by an annual average of 8 percent up to 1990. Calculated by 1980 prices, industrial and agricultural output value should rise by an annual average of 7.7 percent. We should strive to achieve the first doubling by 1989. The average net peasant income should rise at an annual average of 7 percent, while workers' wages should rise at an annual average of 5.2 percent during the 5 years. The total urban and rural consumption level should rise by an annual average of 5 percent.

Governor Xiong Qingquan stressed: The merit for the economic achievements of the Sixth 5-Year Plan should be ascribed to reform. We must continue to depend on reform to fulfill the Seventh 5-Year Plan. Reform is the primary task of the plan period. There are three main contents of the province's economic structural reform during the Seventh 5-Year Plan: 1) Further invigorate the enterprises, especially the large and medium enterprises, and truly turn them into relatively independent economic entities and socialist commodity producers and operators responsible for their own operations, profit, and loss. 2) Further develop the socialist commodity market, and establish a unified, open, and competitive socialist market setup. 3) State management of the enterprises should gradually switch from focusing on direct control to indirect control. A new socialist macroeconomic management system should be set up.

Governor Xiong said: The current situation in the province's reforms is good. However, reform is a major and unprecedented change. Problems of various kinds are inevitable. It is also very natural that people should have a variety of different views on reform. We must certainly not get panic-stricken and give up eating for fear of shocking just because some problems occur. Reform requires a number of pioneering comrades to engage in bold exploration and innovation. When certain shortcomings and mistakes occur in the course of their exploration and innovation due to lack of experience, we must enthusiastically help them to sum up the experiences and lessons, correct the shortcomings, and continue to forge ahead.

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HOANG VAN HOAN VISITS SHANXI PROVINCE

HK220347 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 21 May 86

[Excerpts] Comrade Hoang Van Hoan visited Shanxi Province on 20 and 21 May. On his arrival by train from Xian, he was welcomed by Li Ligong, secretary of the provincial CPC Committee; Zhang Changzhen, member of the standing committee of the provincial CPC Committee; Luo Guibo, a member of the Central Advisory Commission; and [name indistinct], director of the provincial foreign affairs office. Comrades Li Ligong and Luo Guibo also gave a banquet for Comrade Hoang Van Hoan, and accompanied him to various places in Taiyuan City including the provincial museum.

Hoang Van Hoan also made a special trip to Luo Guibo's home to see his old friend.

Interviewed by reporters, Comrade Hoang Van Hoan said that Shanxi has an ancient history and its people have glorious revolutionary traditions. I believe that under the correct leadership of the CPC Central Committee, the people of Shanxi will certainly make contributions to invigorating China during the practice of socialist construction.

Comrade Hoang Van Hoan left Taiyuan on the evening of 21 May.

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SIXTH SHANDONG PEOPLE'S SESSION CONCLUDES

SK200359 Jinan Shandong Provincial Service in Mandarin 2200 GMT 19 May 86

[Text] The fourth session of the Sixth Shandong Provincial People's Congress successfully concluded amid the playing of the majestic national anthem on the morning of 19 May after its agenda items were satisfactorily fulfilled.

The session called on the people throughout the province to more closely unite as one, to push forward the drive to conduct reforms and to pioneer the road of advance by displaying the indomitable spirit, and to strive to fulfill or overfulfill the Seventh 5-Year Plan of the province.

The closing meeting of the session held that morning approved the resolution on the province's Seventh 5-Year Plan and the report on the Seventh 5-Year Plan, the resolution of the 1985 provincial final financial accounts and the 1986 financial budget, the resolution on the work report given by the provincial People's Congress Standing Committee, the resolution on the work report given by the provincial Higher People's Court, and the resolution on the work report given by the provincial People's Procuratorate.

The closing meeting of the session also approved the three resolutions on the resignation application submitted by some Standing Committee members of the provincial People's Congress, vice governors of the province, the president of the provincial Higher People's Court, and the chief procurator of the provincial People's Procuratorate.

After full deliberation and consultation, the session balloted for 4 vice chairmen of the provincial People's Congress Standing Committee and 14 Standing Committee members of the provincial People's Congress, and decided to appoint 3 vice governors of the province.

The session also elected the president of the provincial Higher People's Court and the chief procurator of the provincial People's Procuratorate. In line with the legal procedure, the name of the elected chief procurator will be made public after the approval of the NPC Standing Committee.

Xu Leijian, executive member of the session's presidium, presided over the closing meeting. Also attending the closing meeting were executive members of the session's presidium, including Liang Buting, Jiang Chunyun, Li Zhen, Xiao Han, Gao Fengwu, Zhang Zhusheng, and Xu Jianchun.

Attending the closing meeting as observers were responsible persons from the departments, commissions, and offices under the provincial CPC Committee; deputy secretaries general of the provincial People's Congress Standing Committee and deputy directors of the general office under the Standing Committee; responsible personnel from the departments under the provincial People's Government; vice presidents of the provincial Higher People's Court; and deputy procurators of the provincial People's Procuratorate.

On the afternoon of 19 May, chairman, vice chairmen, and the newly elected vice chairmen and members of the provincial People's Congress Standing Committee got together to hold a cordial talk.

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PROVINCIAL AFFAIRS

GUIZHOU CPC SECRETARY VISITS TEXTILE FACTORY

HK021311 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 1 May 86

[Text] On 1 May, International Labor Day, Hu Jintao, Provincial CPC Committee secretary, and He Renzhong, vice chairman of the provincial Advisory Committee, went to the Qingzhen textile printing and dyeing mill to extend holiday greetings to the workers and staff who stood fast at their posts on the holiday.

As soon as Comrades Hu Jintao and He Renzhong arrived at the mill at 0930, they went directly to the workshops and spent 1 hour familiarizing themselves with production in the textile, weaving, printing, and dyeing workshops. They had cordial conversations with workers. Then they went to the office to meet all the staff working there and listen to a report on production by a responsible person of the mill.

The Qingzhen textile printing and dyeing mill did well in production from January to April this year. Comrade Hu Jintao said that this was a result achieved by the 4,000 staff and workers of the mill who have been united and fought heroically. He expressed the hope that the staff and workers would continue their efforts and maker greater contributions to the country.

He said that to develop the excellent situation, factories and mines must grasp two things at present: 1) They must persevere in reforms within enterprises, further perfect and improve the responsibility system, unleash the initiative of staff and workers, and invigorate the enterprises; and 2) they must strengthen business management and produce more marketable products to open up more markets and improve their economic results. Leadership organs at all levels must change their style, do more practical things, pay attention to efficiency, and do their utmost to serve the grass roots.

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ECONOMIC PLANNING

YUNAN NATIONAL ECONOMIC SEMINAR CONCLUDES

HK200835 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 19 May 86

[Text] The 5-day second national feasibility study and economic evaluation seminar concluded yesterday morning in Kunming. In the course of the meeting, some 100 participating specialists and scholars held lively discussions on making scientific decisions on investment projects. They also proposed many constructive suggestions.

The closing session held yesterday morning was chaired by (Zhang Tan), deputy director-general of the Economic, Technological and Social Development Research Center under the State Council. Zhou Daojiong, president of the People's Construction Bank of China, delivered a summary speech.

He said: This seminar is a gathering of specialists and scholars from three sectors namely universities and colleges, designing and consultative institutes, and relevant departments, committees and banks of the State Council. They are the core force of China and advocate the practice of making scientific decisions on investment projects. The representatives of these three sectors proposed more than 80 theses on different viewpoints at the seminar. They unanimously hold that conducting feasibility studies, evaluating the national economy and making scientific decisions on investment projects are very important guarantees for checking the scale of investment, readjusting the structure of investment and improving the economic results of investment.

Comrade Zhou Daojiong pointed out: This seminar is a meeting for exchanging ideas, examining results as well as for specialists and scholars to suggest their ways and means.

Gao Yang, a member of the Central Advisory Commission and chairman of the board of directors of China Investment Consultative Company, made an important speech at the closing session.

He pointed out: feasibility studies are new things developed in the wake of reforms of the economic structure. He encouraged the intellectuals who engage in the work to make greater contributions to making scientific decisions on investment projects and for the four modernizations.

The closing session was also attended by Ma Hong, director general of the Economic, Technological and Social Development Research Center under the State Council; Jin Renqing, vice governor of Yunnan.

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ECONOMIC PLANNING

XIZANG TOURISM, ECONOMIC WORK CONFERENCE OPENS IN LHASA

HK140456 Lhasa Xizang Regional Service in Mandarin 1130 GMT 13 May 86

[Excerpt] On economic work and trade, Dainba Gyaincain said: Lhasa is rich in resources for making agricultural and sideline products, native products and specialities. Through this conference, we must take immediate actions to thoroughly investigate our natural resources, make measures suit the local conditions, mobilize the positive factors of various areas, carry forward the spirit of the foolish old man who removed the mountains, and use the natural resources to develop work concerning production, purchasing and export. We must promptly create a new situation in which the economic work and trade are flexible, brisk and run in an orderly way despite strict control.

Dainba Gyaincain stressed: No matter whether we develop tourism or handle economic work and trade, we must seek a common understanding, coordinate our steps, and take the overall situation into consideration. Only thus can we achieve positive results when invigorating Lhasa City.

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FINANCE AND BANKING

CONTROL OF INSTITUTIONAL PURCHASES DISCUSSED

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 9, 20 Sep 85 pp 20-21

[Article by National Staff Office in Control of Institutional Purchases under the Ministry of Finance: "Ministry of Finance Issued 'Circular Concerning Further Control of Institutional Purchases'"]

[Text] To control the irrational increase in consumption funds and to help achieve a balanced receipts and payments in state finance, the Ministry of Finance, with the concurrence of the leading comrades in the State Council, has recently issued the "Circular Concerning Further Control of Institutional Purchases." After analyzing the causes of the continued increase in institutional purchases, the circular lists the following measures to strengthen such control:

1. The control should be strictly based on the state's allocated indices. The indices for the control of institutional purchases in the current year has been allocated and relayed to the lower levels by the National Staff Office in Control of Institutional Purchases, as instructed by the State Council. All regions and departments must comply with the indices allocated by the state and see to it that these indices are adhered to at all levels, down to the basic level, and that only savings, but not overspending, are permitted. They should set up an institutional purchase account in which the quantities of commodities purchased and the amounts spent on them should be recorded.

2. The system of examination and approval for purchase of the 17 specially controlled items must be strictly enforced. Except for the motor vehicles imported by Hainan Island and some items specially approved by the State Council, approval for the remaining items will be withheld within the current year. In the future, any unit desiring to import the specially controlled items must first obtain the concurrence of the national, provincial, autonomous regional, or municipal staff office (of municipalities directly under the central government) in control of institutional purchases before starting the import procedures. Imports without this process of examination and approval will be considered as a violation of the financial law. The purchases of specially controlled commodities by units below the county level (including the collective units in townships and towns) must be first examined and approved by the staff office in control of institutional purchases above the county level.

3. The volume of institutional purchases by the regular armed forces, the people's armed forces, and the police force must be 20 percent below the actual volume of the previous year. The state' system of examination and approval for the specially controlled commodities must be strictly complied with.

4. The indiscriminate distribution of material objects or souvenirs is resolutely prohibited. In the future, except for some souvenirs distributed in the meetings of labor models and of representatives of advanced elements approved by the State Council, the ministries and departments under the State Council, or the provincial people's government, no material objects or souvenirs can be distributed in any name at the meetings held by any unit.

5. All regions and departments must include their institutional purchases in their agenda which must be periodically reviewed and precautionary measures must be taken against any possible loss of control. The expenses incurred in violation of the state's control regulations will not be reimbursed, and the financial personnel should do their jobs well in this respect. In the case of indiscriminate purchases or any excess over the control indices, the higher authorities must deduct the corresponding amounts from the retained profits or from the surplus in the contract responsibility system.

6. All relevant departments must cooperate closely in strictly adhering to the procedures of examination and approval. In making payments for the purchases of the controlled commodities by any unit, the banks at all levels must be guided closely by the approval certificate issued by the staff office in control of institutional purchases, without which, the banks must refuse to pay for these purchases either in cash or by transferring any money from one account to another. All units supplying the commodities must also carry out their transactions on the strength of these approval certificates without which, no commodity can be supplied. If any unit is found selling these commodities in violation of the regulations, its profits from such sales will be confiscated. When any unit purchases the vehicles under state control, the vehicle supervisory departments can issue the vehicle licenses only on the strength of these approval certificates.

7. In the 3d quarter of this year, the people's governments at all levels organized the banks and the finance, commerce and transportation departments to conduct check-ups on the situation of institutional purchase control. The units and individuals which had complied with the state's control regulations in an examplary manner and had reduced expenses with good results were commended, while those responsible for lavish spending, extravagance and waste in violation of the state's control regulations were disciplined, and the leaders were held responsible for their action.

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FINANCE AND BANKING

LIMITS SET ON PRICE REFORM DURING SEVENTH 5-YEAR PLAN

Beijing GONGREN RIBAO in Chinese 14 Oct 85 p 2

[Article by Lu Shi [6424 4258]: "Need For Reform of the Price System and Price Regulations"]

[Text] Operation of a planned commodity economy requires conscious compliance with and application of the laws of value. Prices are the main form for expressing the regulatory role of the laws of value, and they are the most important and most responsive economic levers. Equitable prices function in many ways. They are both able to regulate the the equitable distribution in all sectors of the means of production and workforces and to regulate market supply and demand relationships. They are also able to spur producers to carry on the production of commodities at individual production times that are lower than the production times required in society as a whole, to give impetus to technical progress and to improve administration and management. Consequently, gradual reform of the price system and of price regulations are crucial to the success of the Seventh 5-year Plan.

1. Major Problems in the Current Price System

Quite a few inequities exist in the country's current price system, which are manifested principally in the following four ways:

First, no price spread for different quality of the same product. For both industrial manufactures and agricultural products, in one degree or another, there is a lack of premium price for premium quality and no lowering of price for inferior quality. For example, in the case of coal used for power, there is no price distinction on the basis of the cangue rate or calorific capacity; high grade cement is produced by large and medium size enterprises, which peg the price low while low grade cement is made by small size enterprises which, conversely, peg the price high. Cotton is graded by color, luster and length without standards for tensile strength or mellowness. All of these things are bad for improvements in product quality and the development of varieties, styles and colors.

Second, parity prices for different products are not fair. Inequities exist today in the parity prices of one farm product and another, one industrial manufacture and another and between agricultural and industrial products.

Inequities in comparative prices of industrial manufactures is manifested primarily in the overly low prices of primary products such as certain mine products, energy and raw and processed materials. Not only does this discourage production in these basic industries and bring about an enduring situation of supply being unable to meet demand, but it also discourages processing industries from improving their economic effectiveness, accelerating technical progress and lowering consumption of energy and of raw and processed materials. Take coal, for example. Each ton of raw coal in China is worth only 67 kilograms of wheat, or 367 kwh hours of electricity used in industry, or 38 kilograms of processed steel while each ton of coal used for power can be exchanged for 337 kilograms of wheat or 1,100 kwh of electricity or 165 kilograms of processed steel in the international market. Coal prices in China are obviously too low. Profits in the coal industry are also overly low in comparison with other industrial sectors. In 1982, the rate of profit on capital in the industrial sector averaged 10.6 percent while it was only 0.5 percent in the coal industry.

Third, there is an inversion between purchase and market prices of principal agricultural and sideline products in which sale prices are lower than purchase prices. Not only is this bad for a rational readjustment of the structure of agricultural production, but it is also bad for the circulation of goods. Furthermore, it increases the burden on the treasury with each passing year. In 1979 state subsidies for the purchase of grain and oil amounted to 7.3 billion yuan and by 1984 they had increased to 20.5 billion yuan.

Fourth, house rents are too low, and tertiary industry prices or fees are too low. As a result, these enterprises lack vitality and develop slowly. Some have even contracted and find it difficult to carry on . For example, the average rent per square meter per month in an urban dwelling is only 0.13 yuan, which is less than one-fifth the depreciation, maintenance and management cost. House rent for industrial employees amounts to less than 3 percent of family income, preventing a rationalization of the structure of the people's expenses. The more housing, the more subsidies enjoyed; no housing, no subsidies enjoyed. This makes it economically bad to restrict more housing and to strive for better housing. It also discourages the amassing of funds to build houses and enthusiasm for individual building or purchase of houses. Barber and bath house fees are also too low, and this occasions general losses. All these things have become impediments to development of tertiary industries and the expansion of employment.

2. Basic Requirements For Reform Of the Price System During the Seventh 5-year Plan

Reform of the price system is rather complex. It ramifies into the whole national economy and has a bearing on countless households. Consequently, it is necessary to be unswerving and to advance with measured pace, constantly exploring as one goes along.

The guiding thought in reform of prices during the period of the Seventh 5-

year Plan is the need for gradually smoothing out the present inequitable price system and striving to make the price system equitable. The following are the several general ingredients in this recipe:

First is readjustment of the prices of primary products such as energy and mine products to solve the problem of overly low prices for coal, crude oil, iron ore, non-ferrous ores, and lumber to help accurately assess the economic effectiveness of enterprises and advance the development of production and conservation of these products, which are in short supply.

Second is stable purchase prices for agricultural and sideline products, proper readjustment of the inequitable comparative prices of a small number of agricultural and sideline products for solution to the problem of sale prices being lower than procurement prices for an inversion between purchase and market prices.

Third is readjustment of tertiary industry prices or fee standards to solve the problem of overly low tertiary industry fees. Housing standards and fee collection standards should be studied. Except for certain designated subsidies, policies should be drawn up that encourage individual employees to buy houses. Pilot projects should be used to gradually attain the price differences that exist internationally, some of which result from differences in the labor productivity rates, resources, economic policies, and social systems. These problems should be solved through the readjustment of customs duties, foreign exchange prices, collection of industrial and commercial taxes on imported products, and institution of rebates of industrial and commercial taxes for goods exported. Prices for products that have little influence on the life of the people, goods that are but little produced in China, and particular products imported to nurture exports may be linked to international market prices.

Though this year's price reforms will apply mostly to the prices of meat, poultry, eggs, vegetables and such non-staple foods, nevertheless, these cannot be considered small steps. The price reform task for the next year and the year after will be efforts to digest the effects brought about in 1985 in the wake of reform measures, gradually completing individual actions, integrating them, and consolidating the results of reforms. Except for individual products for which prices are very unfair, seriously hurting production, and the flow of goods that have long since been pondered and calculated and that will be properly readjusted when the national economic situation is right, major reforms do not seem to be in the offing.

3. Need To Maintain Overall Price Stability in the Process of Reforming the Price System

Reform of the price system is a readjustment of the price structure that consists mostly of changing inequitable price parities. Product prices should rise and fall. But because prices for primary products are overly low in China's present price system, any substantial rise in prices will mean rise to a certain extent in the overall price level. To ensure steady economic development and maintain stability in the public's daily lives, we must control the trend of price rises within certain limits so that there will be no violent fluctuations in the prices of goods and so that there will be no tremendous rise in overall prices extending over several years.

To reduce to the minimum the impact on society, across the board consideration has to be given at the time of readjustment to the ability of the country, enterprises and individuals to bear price rises. Increase in the country's financial outlays resulting from price rises must be controlled within plan amounts. Rises in costs to enterprises resulting from the rise in prices of raw and processed materials have to be considered in terms of enterprises' real ability to eat such costs in addition to relief provided by state reduction or partial exemption from taxes. Specific analysis has to be made of the clamor to raise prices as a result of the rise in the cost to enterprises of raw and processed materials. The impact of prices on the standard of living has to be taken into consideration to ensure that the real income of both city and rural residents rises steadily and so that the real standard of living rises gradually. Particular care must be exercised with regard to the "food basket," which is linked closely to the standard of living. It is still necessary to take appropriate action with regard to certain goods in great demand,the supply of which must be assured. This includes providing needed government subsidies or setting price limits so as to prevent the prices of non-staple foods and other products from rising too much. In short, in the course of reform of the price system, we must strive to avoid a rise in the prices of industrial manufactures as prices of agricultural products rise, and to avoid a rise in the prices of processing industry prices as prices of raw and processed materials rise to genuinely prevent a price increase spiral and a change reaction in price rises from occurring.

Readjustment of prices of the means of production, particularly of plan prices for mine products and for raw and processed materials to make them generally fair requires a process. If action is taken with undue haste, everything having to be ironed out within a short period of time, there will be tremendous increases in prices that most processing enterprises will find it difficult to digest. Consequently, during the period of the Seventh 5-year Plan, we must continue to carry out a dual price system, i.e., to continue to set a national price for the portion of products within plan, and having a market price for that portion of goods that enterprises produce in overfulfillment of plan that they may sell themselves. In addition, prices of goods within plan must be rigorously controlled with some small planned, step-by-step readjustments made, while prices of portions outside of plan should be liberalized, the two prices gradually becoming close and finally coalescing into an overall price. This road to price reform is also in keeping with the diverse economic forms and varied forms of operation existing in the country. Certainly the twin tier price system may also bring new problems in its wake. For example, it will be disadvantageous for the development of normal competition among enterprises and it will provide opportunities for profiteering, speculation and buying solely for the purpose of selling. Therefore, price supervision and market control will have to be intensified under the dual price system, and crackdowns made on illegal activity such as speculation in buying and selling, jacking up the prices of goods and seeking exorbitant profits. Small items used in daily life and daily necessities may be farmed out for processing and orders placed. Products resulting from major raw and processed materials and from the designated use of designated materials supplied at state list prices are to be supplied to the market at national prices. Jurisdiction over price controls should be delegated to local government whenever possible. When the central government should control prices centrally, the emphasis should continue to be on proper centralization.

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FINANCE AND BANKING

REFORM OF FINANCIAL SYSTEM TERMED 'MAJOR COMPONENT'

Beijing LIAOWANG [OUTLOOK WEEKLY] in Chinese No 45, 11 Nov 85 pp 12-13

[Article: Chen Muhua [7115 1970 5478] Talks About Reform of the Banking and Financial System

> [Text] Editor's Note: Reform of the banking and financial system is a major component of reform of the country's economic system during the Seventh 5-year Plan. For this reason, this publication's correspondent interviewed Chen Muhua, who is the member of the State Council in charge of financial and banking work, who answered seven questions we posed to her.

Correspondent's Question: What is the role of banks in the current economic reform?

Comrade Chen Muhua's Answer: One major aspect of reform of China's economic system is to institute a planned commodity economy with the goal of changing the former ingrown and rigid economic pattern, the country's economy thereby moving toward liberalization, enlivening and full vitality to insure realization of the magnificent goal put forward by the 12th Party Congress.

A planned commodity economy requires lively and good management of the macroeconomy and an opening up and enlivening of the microeconomy. Banks are the hub of financial activity in the national economy, and the Central Bank is the most important institution for the regulation of the macroeconomy.

Banks use the role of economic levers such as loans, interest rates and foreign exchange rates, and they apply currency policies i.e., a tightening and a loosening of money to raise or bring together funds to guide the direction of flow of funds, to improve the efficiency with which funds are used and to regulate overall social demand so that the economy maintains steady, coordinated development.

Reform of the economic system, simplification of administration, delegation of authority and the enlivening of enterprises all require reform of the banking system. This is to say that banks have to change their former sole role of "large receipts and payments," perform more of the functions of banks, meeting needs in reform of the economic system, and provide necessary conditions for enlivening the economy. With the relative decrease in plans of a command nature and the relative increase in plans of a guidance nature, it becomes even more important to apply the function of banks in the regulation of the economy and in influencing the direction, scale and speed of economic development. In short, reform of the economic system requires reform of the banking and financial system, and the success of banking and financial system reform provides important support for reform of the economic system and development of the national economy.

[Question] What progress is being made in reform of China's financial and banking system?

[Answer] The financial and banking system have been in the process of gradual reform ever since the 3d Plenum of the 11th CPC Central Committee, and definite results have been achieved in several important areas.

First of all, reforms have resulted in the founding of the Central Bank. (Up until the time of reform, China had only the People's Bank and the Bank of China.) A financial and banking structure has been preliminarily formed in which the People's Bank is the leader, the Industrial and Commercial Bank, the Agricultural Bank, the Construction Bank and the Bank of China are major specialized banks, and rural credit cooperatives and other financial institutions are auxiliaries.

Second has been reform of the financial management system with institution of funds control methods centering around current deposits and current loans. Under leadership and control of the People's Bank, funds have been divided among the specialized banks, each one being independently responsible for its own operations. The People's Bank applies centralized planning to buttress financial control of the macroeconomy through control of the amount of social credit and control of credit to specialized banks.

Third is development and improvement of various credit methods to enliven banking and finance. For example, funding of capital construction has been changed from grants of funds to issuance of loans. Initiation of technical transformation loans and providing loans is done selectively. The principle is followed of ordering goods on the basis of sales. There has been a liberalization of commercial credit in a controlled way, and the revival of insurance in China, etc.

At the present time, the emphasis in reform of China's financial and banking system is in two areas. One is the need for further improvement of techniques for Central Bank control of the macroeconomy, buttressing of financial control, and smoothing out relationships in all aspects of the finance and banking system. Second is the need to persevere in the direction of reform of making all specialized banks more businesslike and using flexibly the various economic means that banks possess to enliven finance and banking.

[Question] What are the main shortcomings existing in China's finance and banking system at the present stage? What kind of banking system has to be built to meet needs in development of the nation's economy?

[Answer] The main problem in China's finance and banking system today is that finance and banking macrocontrols are not vigorous enough. Strict system management methods and flexible and effective control methods are lacking. Relationships between one bank and another and between banks and businesses are not smooth. Problems of separation between central and local authorities with regard to the system for providing loan funds and credit funds have not been solved well. The credit implements used in the country's financial and banking system are not yet sufficiently developed; they are undiversified and funds are not used flexibly.

As reform becomes more pervasive, China will have to improve gradually the financial and banking structure that is led and managed by the People's Bank, in which all specialized banks are leading players, and in which diverse banking and financial institutions co-exist. It will take many years of effort to build a socialist banking and financial system that the Central Bank regulates smoothly, in which specialized banks operate on their own two feet according to needs of a planned commodity economy, and in which financial and banking institutions and the various forms of credit are mutually reinforcing.

[Question] What plans are there for further bank development during the period of the Seventh 5-year Plan? Objectively, how will control and regulation be exercised?

[Answer] The main goal of bank expansion during the Seventh 5-year Plan period will be to make banking and financial work gradually meet the needs of development of the whole economy. Various reform measures will have to be readjusted and improved constantly to meet needs in reform of the whole economic system. In addition to the overall requirement for strengthening of macroeconomic control and for promoting an enlivening of the macroeconomy, the banks themselves will have to focus on efforts in various regards to raise the political and professional quality of bank personnel, to introduce advanced techniques in a planned and gradual way, and to improve banking legislation.

Banking and financial work in China is carried out under guidance of the planned economy. Regulation and control of investment in fixed assets, consumption funds, the size of credit, foreign exchange reserves and the amount of currency issued must be subordinated to the overall requirements of the Seventh 5-year Plan. This means that they must carry out the national plan. Specifically, this entails various regulatory means including the use of credit plans, finance and banking policies, foreign exchange control and credit, interest rates, foreign exchange rates, and reserve funds. In enlivening the macroeconomy, special attention has to be directed toward supporting the technical transformation of old enterprises, supporting improvements in product quality and supporting the development of production of enterprises that show good economic effectiveness and whose products are needed for the market or for export.

[Question] During the last half of 1984, a situation developed of too rapid growth of consumption funds and credit funds and investment in fixed assets on too great a scale. During the first half of 1985 the State Council took action to control the amount of credit, to control the issuance of currency, and to control foreign exchange. What is the situation today?

[Answer] A series of control actions have been taken on credit and the issuance of currency during 1985 that have produced results. Overall the amount of credit has been controlled and issuance of currency has been improved. Nevertheless, as a result of the effects of inertia on economic development, plus inability to take too large steps to effect controls that affect normal economic life, the amount of credit remains too large today. It will be necessary to regulate it to maintain a balance between overall supply and demand in society. As reform of the financial and banking system improves steadily, we can make the country's financial and banking work better to meet needs in building the economy.

[Question] Please talk about possibilities for formation of a financial market in China.

[Answer] Financial markets include short term funds markets, long term funds markets, foreign exchange markets, and other forms of funds markets. Interbank credit exchange has begun to develop today among China's specialized banks and other financial institutions. The discounting and pledging of treasury bonds is permitted under certain conditions; the honoring and discounting of commercial bills of exchange is spreading step by step and trial issuance of debenture bonds by specialized banks has begun. These circumstances demonstrate a gradual maturation of conditions for the formation of short-term financial markets in China; however, conditions are not yet ripe for a liberalization of foreign exchange markets in China.

[Question] If possible, can you talk about the situation and possibilities for issuance of stock shares, debenture bonds and for floating interest rates?

[Answer] There has as yet been no large scale issuance of stock shares or plans for issuance of debenture bonds.

Interest rates on reserves have been revised twice in 1985. Interest rates are a major economic device used by banks. Suitable readjustment of interest rates for credit in accordance with needs for economic development and the development of finance and banking is a normal function of banks.

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POST WAGE REFORM MEASURES IN STATE ORGANS, INSTITUTIONS

Circular on Bonuses, Allowances

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 11, 20 Nov 85 p 27

[Circular of the Ministry of Finance, and Ministry of Labor and Personnel: "Circular Concerning Problems of Bonuses, Subsidies, Allowances and Labor Insurance for Personnel of State Organs and Institutions after Wage Reform"; date of issuance not given]

[Text] Recently, the Ministry of Labor and Personnel and the Ministry of Finance issued the following circular about questions of bonuses, subsidies, allowance and insurance benefits for the personnel of state organs and institutions in Labor, Personnel and Wage Document No 33 (1985):

1. Strict Control of Bonus Payments

The regulations concerning the bonuses for the personnel of state organs and institutions have been provided in Document No 6 (1985) issued by the Staff Office of the State Council and in Finance Document No 100 issued by the Ministry of Finance. In the future, all institutions having economic income should collaborate with the Ministry of Finance in determining the proportions of income and other funds to be retained and the amount of bonuses to be paid. Bonus taxes will be levied on excess bonuses, and the specific rules will be worked out by the Ministry of Finance in consulation with the Ministry of Labor and Personnel as soon as possible for the State Council's approval.

The bonuses for the promotion of staff members and workers will still be paid in accordance with the "Trial Regulations on Bonuses for Personnel Promotion in the State's Administrative Organs."

2. Strict Enforcement of Subsidy, Allowance Regulations

All regions, departments and units must strictly abide by the regulations issued by the State Council or the State Council's Wage Reform Group, the Ministry of Labor and Personnel, and the Ministry of Finance as authorized by the State Council, concerning regional wage allowences, regional subsidies, subsidies for health hazards, subsidies for the class masters of secondary and elementary schools, and heating allowances. The scale of these payments cannot be raised without authorization. With the exception of those introduced by the regions with the written authorization of the State Council, all the subsidies and allowances introduced by the provinces, autonomous regions, municipalities directly under the central government, and the various central departments must be handled in accordance with Article 10 of the "Regulations Concerning Certain Problems in Implementing the Wage Reform for the Personnel of State Organs and Institutions" contained in Labor, Personnel and Wage Document No 19 (1985), issued by the State Council's Wage Reform Group and the Ministry of Labor and Personnel. In other words, the state does not recognize these subsidies and allowances, which, therefore, should be eliminated or revised during the wage reform. The payment of all subsidies and allowances appropriated out of the administrative and business expenses must be stopped; and the funds appropriated out of the bonus funds built up with the institution's retained income cannot be included in the basic wages. In the future, bonus taxes will be levied on the excess portion.

3. Revision of the Labor Insurance and Welfare System

The retirement benefits of cadres, staff members and workers should be paid according to the scale specified in the State Council's Document No 104 (1978). The benefits for those who have participated in the wage reform program will be calculated and paid according to their basic wages, position wages and seniority allowances. The increase, or disguised increase, in retirement benefits initiated by the localities or departments must be rectified.

The welfare funds appropriated according to regulations should be used mainly in aid of workers under hardship and for collective welfare. The practice of privately dividing the welfare funds under any pretext must be prohibited. After the wage reform, the payment for cleaning expenses by various units can be preserved in principle. These expenses will be paid out of the surpluses when the institutions concerned are responsible for its own financial surpluses and deficits or out of the extra-budgetary funds and business income. The actual payment cannot exceeded 4 yuan per person each month in the central state organs and the localities.

No region, department or unit can charge the individual workers' expenses on reading matters to its administrative or operating expenses. The expenses on various publications concerning political theories and required for the professional and cultural advancement of the cadres, workers and staff members can be paid out of the education funds. Attention should also be paid to the professional cadres' needs for special technical publications.

4. Proper Authority for Examination and Approval

According to the regulations of the CPC Central Committee and the State Council concerning the strict control of bonuses, subsidies and allowances, the authority to formulate and revise the scales of wages, bonuses, subsidies and allowances should be exercised mainly by the State Council or by the Ministry of Labor and Personnel and the Ministry of Finance authorized by the State Council. No region or department can formulate or revise these scales at will. When new projects have to be initiated and the existing regulations have to be revised, they must first be examined by the Ministry of Labor and Personnel and the Ministry of Finance before being submitted to the State Council for approval.

5. Strengthening Control and Supervision

All state organs and institutions must conscientiously implement the state regulations concerning wages, bonuses, subsidies, allowances and insurance. Any contravention must be resolutely corrected, and failure to make corrections will be severely dealt with, to the extent of holding the leaders responsible. The labor and personnel, the finance and the auditing departments at all levels must conscientiously exercise their control and supervision, while the banks at all levels have the authority to refuse any request for payment that does not conform to the regulations.

Regulations on Financial Management

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 11, 20 Nov 85 p 28

[Regulations of the Ministry of Finance: "Certain Regulations on Financial Management after the Wage Reform in Institutions"; issued 12 Oct 85]

[Text] As approved by the State Council, the Ministry of Finance issued "Certain Regulations on Financial Management after the Wage Reform," the text of which is as follows:

Article 1 These regulations have been formulated specially to strengthen the financial management of institutions, to properly organize economic income and to use funds fruitfully in coordination with the wage reform in various institutions as a means to promote their development.

Article 2 The financial departments will no longer allocate operating funds for those institutions which have been developed into enterprises and are economically independent. These institutions should abide by the relevant state regulations, practice independent accounting, and assume sole responsibility for their profits and losses.

1. According to state regulations, the after-tax net income should be used to set up business development funds, workers' welfare funds, workers' bonus funds and reserve funds. The proportion of business development funds generally should not be below 50 percent; that of the workers' welfare funds, not above 20 percent; that of workers' bonus funds, not above 25 percent; and that of reserve funds, about 5 percent. These proportions may vary at the discretion of the departments in charge according to different institutions' conditions.

2. Taxes should be paid according to state regulations. For those institutions having difficulties with the payment of taxes, tax reduction or exemption may be granted according to the tax laws and after approval by the taxation department.

3. During the wage reform of 1985, if any wage reform were carried out by any unit in accordance with the wage scale and the wage increase control figures set by the state, the province, the autonomous region, or the municipality directly under the central government, but with the unit's own financial resources, this unit will not be affected by the wage readjustments in the state organs or institutions hereafter.

4. According to state regulations, when the systems of depreciation funds and overhaul funds are set up for the fixed assets, the proportions of such fund allocations will be determined by the department in charge in collaboration with the finance department. The systems of cost control and economic responsibility should be strengthened. The scale of charges should be subject to the control and supervision of the state's price administration department.

Article 3 If an institution cannot be independent, or entirely independent economically, its funds should in principle be allocated by the finance department on the basis of the institution's business plans and tasks and according to existing state regulations.

1. For those institutions which are able to develop gradually into enterprises, to practice independent accounting and to assume sole responsibility for their own profits and losses, the subsidy for business expenditures will be reduced every year. These institutions should become economically independent within the number of years determined jointly by their departments in charge and the finance department. Before becoming economically independent, they may retain their income and use it later to cover part of their budgeted expenditure.

2. For the institutions under total budget management and having economic income, the proportion of their income retention should be determined by their departments in charge in collaboration with the finance department.

3. For the institutions under balance budget management and having economic income, the method of "assessed income, fixed amounts of subsidy, retention of increased income and savings in expenditure, but no subsidy for shortfall in income and excess in expenditure" should be adopted.

4. The institutions having no economic income will have fund allocation from the Ministry of Finance, and the method of a "budget responsibility system under which, the surplus can be retained but the shortage will not be made up" should be adopted.

5. These institutions should use their savings from increased income and reduced expenditure to set up business development funds, workers' welfare funds, and workers' bonus funds; and their proportions should be jointly determined by the departments in charge and the financial department.

6. If the institutions having economic income and carrying out wage reform in 1985 require more funds to increase the wages according to the program of wage increase for the personnel of state organs and institutions, they will provide all or part of these funds. The amount to be provided by them will be

determined by the finance department in collaboration with the departments in charge in light of actual conditions.

Article 4 The institutions carrying out the wage reform and paying bonuses at their own expense should use their bonus funds for this purpose. If the bonuses paid exceed the state limit, a bonus tax will be levied on the excess portion according to law.

Article 5 The payment of various subsidies, allowances, and labor insurance benefits by the institutions must conform to state regulations. The institutions are not allowed to set up their own regulations.

Article 6 The institutions should open a special wage fund account in the bank according to state regulations and accept the bank's supervision and examination over the use of this fund.

Article 7 The regulations for the financial management and extra-budgetary funds management of all institutions should be worked out by the departments in charge in collaboration with the finance department.

Article 8 The Ministry of Finance is responsible for the interpretation of these regulations.

Article 9 These regulations will become effective at the end of 1985.

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SPECIAL ECONOMIC ZONES

SHENZHEN SEZ: ACHIEVEMENTS, PROBLEMS, PROSPECTS

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 9, 25 Sep 85 pp 23-28

[Article by Liang Wensen [2733 2429 2773], Deputy Director Shenzhen Municipal Economics Research Center: "Economic Development and Prospects For the Shenzhen Special Zone"]

[Text] 1. Construction Achievements

Since its founding in 1980, the Shenzhen special economic zone has devoted 5 years of effort to the initial and foundation-laying stage. As of the end of 1984, the whole city had completed capital construction for an investment of 3.6 billion yuan, had preliminarily completed the building of 32 square kilometers of basic facilities, had opened 63 main urban thoroughfares (asphalt) from 21 to 50 meters wide and totaling 86 kilometers in length, had built the Chiwan pier for 10,000 ton ships and the Nantou helioport, and had built a large number of industrial buildings, residences for employees, commercial buildings, tourist facilities and cultural, educational and medical facilities (such as Shenzhen University, a library and a women's and children's hospital). Capital construction covering an area of more than 6 million square meters has been completed including a 2.78 million square meter housing area. A tiny 3 square kilometer village with a population of only slightly more than 20,000 has become a modern new city with an initial population of more than 400,000. Excavated from bare land, it has been praised by Americans as "an overnight city."

Industry has developed very quickly in the Shenzhen special zone and its structure has undergone tremendous changes. Before the special zone was built, Baoan County's industry had been predominantly undiversified traditional agriculture. Agriculture held a dominant position in the make-up of the society's industry. In the period of 5 years, other industries, businesses, construction industries, industrial enterprises, transportation and communications have grown dramatically with businesses, industrial enterprises and the construction industry becoming the three main pillars of the industrial make-up of the society. For example, net output value of agriculture as a proportion of national income and the proportion of persons in the whole city employed in agriculture fell from 65.1 percent and 86.9 percent respectively to 14.1 and 23.5 percent respectively in 1984, while the proportions for industry rose from 7 and 8.8 percent respectively to 27.6 and 15 percent respectively. The construction industry rose from 7.1 to 27.4

percent, and businesses rose from 14.3 to 24.6 percent. In short, as compared with the past, Shenzhen has built an entirely new industrial structure in which the proportion of industrial enterprises has gradually risen, the direction of development tending toward industrial enterprises. This has been the main cause of the rapid development of the special zone economy.

In 1984, gross industrial output value for the whole city reached 1.814 billion yuan, a 28.9 fold growth since before founding of the special zone in 1979 for an annual 97.35 percent incremental increase. Gross output value of agriculture grew 10.5 percent for an average 2 percent annual increase. Retail sales of social products totaled 2.045 billion yuan, a 15.1 fold increase in for a 74.4 percent annual average incremental increase. Financial income reached more than 500 million yuan, a 13.4 fold increase for an approximately 70.5 percent average annual incremental increase.

In accordance with central government requirements for the economic zone, the Shenzhen special zone instituted "taking four things as key links," namely taking the attraction of foreign capital as a paramount source for construction funds; taking joint ventures, cooperative ventures and independently funded enterprises as paramount economic forms; taking foreign sales of products that have been produced as a key link; and taking market regulation as a key link in economic activity. These embody the economic character of the special zone, namely a special economic zone under leadership of the national socialist economy in which foreign-funded enterprises predominate with diverse economic forms coexisting and developing.

As of the end of 1984, the Shenzhen special zone had signed 2,215 agreements with foreign traders calling for the investment of a total of H.K.$16.66 billion of which the actual amount of foreign funds invested so far amounts to approximately HK$4.137 billion or one-seventh of the total foreign investment in all of China and 22.2 percent of the total investment in construction of the Shenzhen special zone. Of the total investment in Shenzhen special zone industry, foreign investment amounted to 40.4 percent showing a gradual shift of funds mainly toward the building of industrial production.

As of 1984, the city had 609 industrial enterprises. In terms of economic forms, these included 217 Chinese state-owned industrial enterprises, or 35.6 percent of all industrial enterprises; 323 collective industrial enterprises, or 53 percent; and six state and collective joint industrial enterprises, or 1 percent. There were 54 Chinese and foreign joint venture and cooperative industrial enterprises, or 8.9 percent, and nine independently funded industrial enterprises, or 1.5 percent. In terms of the make-up of gross industrial output value, output value of state-owned enterprises amounted to 35.9 percent, collective industries 10.2 percent, and state and collective joint industries 0.2 percent. Chinese and foreign joint venture and cooperative venture enterprises accounted for 34.8 percent, and independently funded industrial enterprises accounted for 18.9 percent. This means that broken down in terms of economic form, the number of industrial enterprises having a foreign connection (including joint venture, cooperative and independently funded enterprises) amounted to only 10.4 percent of all industrial enterprises.Nevertheless,the output value of industrial enterprises having a foreign connection amounted to 53.7 percent of gross industrial output value showing the extremely rapid growth of the industrial output value of industrial enterprises having a foreign connection. The per enterprise industrial output value of such enterprises was higher than that of state-owned enterprises and collective enterprises. In the importation of technology, some imported technology was advanced, but not much. Approximately only 7 percent was of advanced world caliber and 27 percent met advanced domestic standards. For example, American "multi-terminal electronic computer systems," and laser processing production lines, as well as some of the production technology imported for "titanium dioxide," "float glass," and "hollow core glass" was of advanced international technology caliber, and some of it filled in domestic blanks. Industry in the special zone began from nothing and gradually developed, and it has developed step by step in the direction of advanced industry.

On the basis of the development of production, inhabitants' earnings and living standards have risen very greatly. For example, in 1984 the labor productivity rate for all personnel in industrial enterprises in Shenzhen City was more than 28,000 yuan, a 42 percent increase from 1983. For the special zone, the labor productivity rate was 31,000 yuan, up 48.31 percent from 1983. It had overtaken Shanghai. Employee monthly wages averaged 188.70 yuan, up 40.6 percent from 1983 and peasant per capita net income [gross income minus expenses but not minus taxes and interest payments] was 848 yuan, up 32.9 percent from 1983. In 1984, national gross output value created per worker in Shenzhen City was 5,270 yuan; in the special zone it was 5,414 yuan, which was approximately two times the average for the country as a whole, but less than one-fifth that of Hong Kong. In 1984, per capita national gross output value figured in terms of population was 3,109 yuan, i.e., more than US$1,000 to exceed the "moderately well-off level" 16 years in advance of the end of the 20th Century.

The economic situation in the Shenzhen special zone has been very good for the first half of 1985. As compared with the same period in 1984, gross industrial output has increased 92.1 percent; completed investment in capital construction has increased 75.54 percent; retail sales of social commodities have increased 25.7 percent, and financial earnings have increased 97.6 percent. In the importation of foreign capital, agreed investment increased 1.66 fold and actual investment by foreign traders increased 75.1 percent. The first half of 1985 has been characterized by the large number of accords signed for industrial project imports requiring substantial investment. This means that the special zone economy is maintaining momentum for high speed, high efficiency, and stable growth, and this is not very easy given the increased control throughout the country of foreign trade and foreign exchange, and the shortage of credit.

Formerly Shenzhen had not only a weak material foundation, but it was also fairly backward culturally. Simultaneous with the building of material civilization has been serious attention to the building of socialist spiritual civilization in the special zone, attention going to the nurturing of socialist ideological consciousness and moral values. During the past 5 years, 355 million yuan has been invested in scientific, cultural, educational and medical facilities. This is 5.3 percent of total investment and 30.6 percent of government financial outlays. The SHENZHEN TEQU BAO [SHENZHEN SPECIAL ZONE

NEWS], a television station, the SHENZHEN QINGNIAN BAO [SHENZHEN YOUTH DAILY], the TEQU GONGREN BAO [SPECIAL ZONE WORKERS DAILY], TEQU WENXUE [SPECIAL ZONE LITERATURE] and TEQU KEJI [SPECIAL ZONE SCIENCE AND TECHNOLOGY], etc. have been founded to provide a fine socialist spiritual diet.Overall, people's value concepts have changed deeply as the special zone has developed in matters such as valuing time, being concerned with efficiency, respect for the law, observing discipline, and "no achievement equals failure." They lashed out against bureaucratism and egalitarianism, and they have relatively well resisted bourgeois corrosion, degenerate ideology and behavior. A beginning has been made in the special zone of establishing a "pioneering spirit, " and seeking new ethics.

2. Fundamental Experiences

The ultra-rapid building and the ultra-rapid development of the Shenzhen special economic zone has resulted primarily from having put into effect the Central Committee's open door policy and flexible measures, and institution of systems reforms, and has resulted also from the correct leadership that the province and city have provided and the active work of the broad masses of cadres and the public. Looked at from the economic angle, fundamental experiences from which huge achievements have derived have been as follows:

1. Gradual creation of a fine investment environment. Investment environment is a comprehensive concept for development that includes political, economic and social elements. It is a prerequisite for good operation of the special zone. The finer the investment environment, the great the attraction for foreign traders. After 5 years of effort, the special zone has preliminarily established a fine investment environment. For example, preparation of the infrastructure for construction (hook ups of electricity, water, communications, gas, roads, sewage and drainage and leveling of the land) has laid a highly effective foundation for the building of facilities. Legislatively the following 12 special zone laws pertaining to special zones (including eight special laws, one regulation, and two detailed rules and regulations for implementation) have been passed and published, among them: "Guangdong Province Special Economic Zone Regulations," "Shenzhen Special Economic Zone Foreign Economic Agreements," "Provisional Regulations on Technology Imports," "Peoples Republic of China Foreign Investment Bank and Foreign and Chinese Joint Venture Bank Control Regulations." Social order is in shipshape condition and public security is fine, etc.

2. Institution of foreign imports and domestic link ups. This strategic measure has been an important reason for rapid development in Shenzhen, and it is also the two wings that have been made ready for the economy's future takeoff. Among the foreign economic relations of the special economic zone is the need to import foreign capital, advanced technology, scientific management and high level personnel, the need for the special economic zone's products to break into international markets and to help export products from inland to create foreign exchange, and the need to transport into the country information and needed natural resources and goods from outside China. In recent years, the Shenzhen special zone's imports of foreign capital and advanced technology has risen year after year, and products exported have also increased year by year, some of them having more than quadrupled. This has

played a decisive role in development of the special zone economy. Nevertheless, imports from outside have to be supported by link ups inside. If the wing of domestic link ups is missing, the special zone's economy will be unable to take off, much less be able to fly high. In recent years, domestic link ups have also developed very rapidly. By the end of 1984, the interior had supplied one-sixth of construction funds for the Shenzhen special zone; 97 percent of the professional workers who had built the Shenzhen special zone came from inland China, and 92 percent of the large army of workers also came from inland China. Inland China has provided 57 percent of the steel and 55 percent of the cement that has been used, and approximately 70 percent of goods in Shenzhen markets has been produced in inland China. The Shenzhen special zone's use of foreign capital, its introduction of foreign technology and its expansion of trade must be combined with capital natural resources, skilled personnel and techniques from inland China for the special zone to make the most of its role. In short, foreign imports and domestic link ups are an undertaking that reflects clever use of both domestic and foreign resources, the markets of the two, and the skills of the two, thereby linking the two. The closer they are linked, the faster economic development and the higher economic results.

3. Efforts to find and set up a special zone economic system model that flexibly and effectively responds to prevailing international market patterns. The Shenzhen special zone is a middle ground between the socialist economy of China and the capitalist economy of Hong Kong. It is special in form, and its economic form is made up primarily of joint venture, cooperative venture and independent venture enterprises. Consequently, its economic activity uses market regulation primarily under guidance of state plan. This is in keeping with the concept of one country, two systems and three forms. In accordance with central government requirements, the Shenzhen special economic zone has endeavored to go beyond the prevailing economic system in recent years to provide experiences for reform of the system in inland China. It conducted a series of reforms beginning with the construction industry, breaking through old rules and regulations and outmoded notions in capital construction. For the most part, it adopted a system of selective price bids from outside and level by level contracting inside, freeing production enterprises and delegating authority to them. In the circulation of goods, it adopted the method of one predominant industry and economic diversification. It instituted a program of "little control and much delegation," and it instituted an equitable fluid and floating wage system for skilled personnel. In the financial system, it instituted user fees for land takeover and issued debenture bonds, and in the monetary and banking system it instituted the introduction of foreign investment banks, issued stock certificates and and mortgage loans, etc. to clear the way for a commodity economy, achieving importatant results. In a nutshell, it proceeded largely from realities in the special zone to use the laws of value under control of the macroeconomy to make the most of the role of market regulation. It expanded commodities, raised the degree of socialization of commodities, kept open channels for the circulation of commodities, thereby enlivening the economy.

3. Problems in Moving Ahead

During the past several years some problems have also existed in moving ahead with economic development of Shenzhen. These have been manifested as follows:

(1) Exceptionally quick development of commercial trade and real estate. During the previous stage, Shenzhen's prosperity has relied mainly on these endeavors. Industrial production has been catching up since 1984; however, the industrial base remains weak, and the impetus of development in which commerce dominates has not changed completely.

(2) Too small a proportion of the special zone's products are sold abroad in international markets---less than 30 percent. Imports are larger than exports. In other words, sales inside China are large, and the marketing structure has yet to become rational; maintaining an industrial foreign exchange balance is difficult.

(3) Industrial products are not processed to a great degree. Quite a few enterprises still do only simple processing. In 1984, net industrial output value amounted to only 30 percent of gross output value. This was lower than the national average of 35 percent. Production of some electronic products consisted of nothing more than simple installation of components brought in from abroad. Technologically, labor intensive industries are still a considerable percentage of the total.

Proper handling of these problems is necessary. The special zone is diligently checking, specifically analyzing, and studying them to find solutions.

4. Whither Shenzhen?

Development of the special zone is currently in process of advancing into a new stage. It is facing the position of Hong Kong after 1977, which has already been decided, the opening up of coastal cities, and the all around launching of urban reform throughout the country. The Shenzhen special zone itself will start using the new situation of special zone management lines and getting ready to reform the banking and monetary system. Consequently, the question of where Shenzhen is headed requires further answers. Determination of strategic objectives, strategic emphasis and strategic steps to be taken, as well as what major actions should be taken to realize more fully and more rapidly the country's requirements of the Shenzhen special zone are matters that have to be explored.

Formulation of a development strategy for the Shenzhen special zone should take as its guiding thought the Central Committee's policy of opening to the outside world and the strategic intent in building special zones. It has to both focus on the attraction of foreign capital, the introduction of advanced technology and advanced management methods to make the most of the special zones' role as "four windows" and "two fans" from which radiate technology, knowledge, management and policies toward the outside world; and it has to focus also on the maintenance of the stability and prosperity of Hong Kong as well as have an active influence on the return of Taiwan to the motherland.

Formulation of a development strategy for Shenzhen also entails taking into consideration the strategic position that Shenzhen occupies. Shenzhen's strengths lie in the following: First, it neighbors Hong Kong and is able to make full use of Hong Kong's favorable conditions. Second, it instituted opening to the outside world and reform earlier than many other places, and its investment climate has already begun to take shape. Third, there are a large number of overseas Chinese and compatriots from Hong Kong and Macao in the local area who want to invest in the building of the special zone. Fourth, preparations to use the special zone's management lines and the carrying out of reforms to the banking and financial system will further open the Shenzhen special zone to the outside world. Its weaknesses lie in a lack of skilled personnel, a shortage of natural resources, a poor industrial base, a low level of technology, insufficient managerial experience, weak capacity to digest and absorb advanced technology. Except for the long-term role of the advantage of a geographical position that is close to Hong Kong, substantial changes may occur in all the other strengths the zone enjoys. As far as Shenzhen's economic relations with the outside world are concerned, most important for a certain period of time will be Shenzhen's relations with Hong Kong. Relations between Hong Kong and Shenzhen should be complementary and mutually advancing for joint prosperity. In long range terms, the international economic center is in process of shifting to the Pacific Ocean region, and the arc of the western Pacific is entering a period of high speed growth. Shenzhen should use this momentum and take all routes to develop economic relations with the outside world. As for Shenzhen's relations with inland China, Shenzhen's opening to the outside world has to depend on inland China while simultaneously serving the modernization of the whole country.

As regards the guiding thought in developing the Shenzhen special economic zone and its strategic location, the strategic goal in development of the special zone should be outward, the focus being on advanced industry, industry and trade developing simultaneously, industry, trade and technology being linked for a multi-functioning special economic zone possessed of a high material civilization and spiritual civilization. It should strive to achieve by the end of the present century a gross national product at the level of Hong Kong's around 1990, and the population of the special zone should be controlled at around 800,000. Shenzhen will not only have to build a city in which buildings stand like trees in a forest, industry prospers, communications are developed, and myriad businesses converge, but it will also have to become a culturally advanced scenic area with a beautiful environment that with a sound legal system and good public order.

5. Views On Several Problems in the Building of the Shenzhen Special Zone

Success or failure in building the Shenzhen special zone and its becoming a barometer for foreign trader investment confidence is a reflection of the special zone's role as a window on policy toward the outside world. Much discussion is taking place nowadays outside of China and in Hong Kong and Macao about the Shenzhen special zone, some of it expressing reservations. Below I will provide some of my personal views about these reservations so all can discuss them.

1. On the Issue of Whether the Special Zone Open Door Policy Is Primarily For Development of Commerce (Trade) or Primarily For the Development of Industry

Some people maintain that the Shenzhen special zone has "three many`s and one little" (many markets, many guesthouses, many restaurants, and little industry). They worry that problems have arisen in the direction of development of the economic structure of the special zone. I believe there is a certain amount of truth in this, and reminders that the Shenzhen special zone should make sure to emphasize development of industry in the future should be welcomed. But, I will have to differ on use of the situation of business and the service trades in the present economic structure of the special zone to repudiate the road that was taken during the previous stage.

A look at the long-term strategic goals in development of the Shenzhen special zone shows industry not trade to be predominant, and this is an unshakable goal. Otherwise, Shenzhen would become a free trade zone. However during the initial foundation-laying stage in the special zone, is it better to develop some industry first, or is it better to develop some business and service trades first? This bears on the issue of how to realize the strategic goals in developing the special zone. In terms of what is necessary and what is possible, commercial business had to pave the way during the foundation-laying stage. Of this there can be no doubt. The reasons are as follows:

First, the focal point for the special zones is development of industry. For the initial construction of plans, there has to first be the "seven hook ups and one leveling," which is to say that basic facilities and plants have to be built before production can begin. In addition, foreign traders coming to Shenzhen to invest have to be provided minimal services and living facilities. This is a necessary process.

Second, when foreign traders enter the special zone to invest in plant operation, they look first at whether an investment environment is in readiness and whether they will be able to make an average profit on international capital. So, at the very outset, most investment by foreign traders is in "three imports and one compensation (import of materials for processing, import of samples for processing, import of parts for assembly and compensation trade). Most such low level forms of cooperation are in joint venture, cooperative venture and foreign funded enterprises requiring little investment and small jobs. This is the stage of testing the water, and it also requires a process.

Third, the building of basic facilities requires large amounts of capital. In a situation in which the state cannot be relied upon to allocate funds for investment, development of businesses and service trades first can generate the accumulation of construction funds within the special zone. During the past several years, for each 1 percent increase in the special zone economy, government revenue has generally increased 1 percent. This has been a reflection of the rapid development of business in the special zones and the emergence of entrepot trade. It has become a "golden bridge" between production and consumption, and it has played a tremendously positive role in development of special zone industry.

It should be pointed out that it will be necessary in the future to give attention to the proportional relationship between commercial trade and other sectors, and to develop normal commodity flow. This is because in industrial development and in development of the whole economy alike, one cannot depart from ordinary business. Still, it is necessary to restrict the flow of other than normal goods. This is because in the present situation in which a two tier kind of "drop" of domestic prices and international prices exists for industrial manufactures and agricultural products, plus various kinds of preferential treatment provided by the state (including exemption from the collection of import duties), some units are keen on using the latter kind of commercial trade as the easiest way of making money so they do not want to invest in industry, or else they want to "appear to be engaged in industry when they are actually engaged in business," and this is not desirable.

In short, there has to be a greater shift toward development of industry in the future. This is the correct path. Yet, one should not suppose that the development of such an industrial structure during the Shenzhen special zone's initial phase is the orientation for development of the future or permanently, nor should one repudiate the correct path that was taken during the initial period. Such insistence that things that are to be done tomorrow be done today is not only divorced from realities in the country, but also shows lack of understanding of the international environment. Our conclusions are that the strategic objective in building the special zones is to make industry paramount and that the business and trade structure that has come into being during the initial phase of development is basically sensible, accords with objective laws, and is a historical process.

2. On the Issue of Whether the Special Zone's Open Door Policy Has Been a Failure or a Success

Some people have published articles to the effect that the Shenzhen special zone's attraction of foreign capital has amounted to only 30 percent of special zone total investment, that products marketed abroad have amounted to only 30 percent of the special zone's products, and that only a small amount of imported technology has been up to advanced international standards. In other words, the main source of capital for the special zone has been from inside China and products have been sold mostly in inland China; the goal of the "four key links" have not been realized in the special zones. They have thus come to the conclusion that the Shenzhen special zone as well the Zhuhai and Guangzhou open door policy has failed. I believe this conclusion to be wrong. It is also not consistent with the facts. A concrete analysis of the issue should be made as follows:

First, let us look at the concept of development. The special zone was set up on a very poor foundation to begin with, but within the short space of 5 years, the trend has been a rise in terms of overall percentages in the amount of foreign capital among the sources of funds, in the amount of industrial enterprises in the structure of industries, in the percentage of goods sold in foreign markets, and in the intensivity of technology and knowledge in the technological structure. For example, in 1984 the proportion of foreign investment in the total amount of investment in industry was 40 percent; net industrial output value was 27.6 percent of the city's total national income; 34.4 percent of sales of industrial manufactures were outside the country, and 45 percent of industrial plants used advanced technology in their technological facilities.

Second, one has to differentiate between goals and actions. The running of a special zone and realization of the special zone's magnificent goal requires moving along step by step; one certainly cannot reach the goal in a single leap. Making the zone into an outward looking economy and achieving balance in foreign exchange also requires a process. For an area that has just been developed, it is fairly common for trade deficits to occur during the initial phase. The history of developing nations has shown the need to go through a stage of import replacement and a gradual transition to export replacement. To achieve future goals, China's special zones have to create conditions,and they have to go through a process. One should not suppose that that the building of special zones has failed because they have not yet achieved their goals. Nor should one suppose that development of special zones requires a blood transfusionsion from the country, i.e., reliance on subsidies. This is also not in keeping with the facts.

Third, the founding of special zones is a product of special policies adopted in China during a new era. They are entirely new things for which no ready made experience exists. How to run economic zones is a gradual process of deepening understanding. Meeting the special zone's strategic goals also requires a process of exploration. At the present stage, certain goals have yet to be realized, and it has also been difficult to avoid some of the foregoing situation.

Fourth, evaluation of the success or failure of the special zone's open door policy cannot rest solely on output value, exports, or foreign exchange criteria. For example, during the past several years, the Shenzhen special zone has provided employment for more than 100,000 youths awaiting employment, and it has transmitted to inland China some advanced technology, all kinds of data, scientific management methods, and experiences in reform of the economic system to make use of its role as a "window." Some of these things cannot be quantifed. This has been particularly true of the positive influence they have had politically. For example, before founding of the special zones in 1978, more than 30,000 people from Baoan slipped away to Hong Kong. Several years ago during capital construction at Shekou when there was filling in of the sea, removal of hills, blasting and excavation, more than 200 corpses were buried of people who had drowned in an unsuccessful bid to escape to Hong Kong. However, during the 5 years since founding of the special zones, more than 1,000 people from Baoshan County have returned from Hong Kong to take up residence. Can "several key links" or several hundred million American dollars in foreign exchange earnings be used to calculate this kind of success or failure of the open door policy? In fact, this is the most convincing testimony to the economic and political achievements of the special zone open door policy.

3. On the Issue of Whether the Special Zone Open Door Policy Is a Stopgap Measure or a Basic National Policy

Some people are doubtful that the special zone open door policy is a long-term policy; they are wary of many changes in policies. For example, China's correction of unhealthy tendencies as well as the correction of some problems that have cropped up in contracts with individual foreign traders since the beginning of 1985, and China's strengthening of control over credit, foreign trade, and foreign exchange have been misinterpreted by foreign traders who suppose that China's open door policy is about to be changed.

I believe this to be a misconception and that concrete analysis must be conducted as follows:

First, the special zone open door policy is a long-term strategic policy; it is an integral part of the overall strategic objectives to be realized in China during the new era. To begin with, formulation of the special zone open door policy is rooted in consideration of the basic elements in the process of developing countries changing from an agricultural country to an industrial country. If the domestic economy includes both production and consumption, it cannot develop separate from the international economy, and modernization of domestic technology cannot move ahead separate from the new international technical revolution. China will be one of the first countries to be affected in the shift to the western Pacific region of the center of the world economy during the 21st century, and it will be placed in a stage of development of its natural resources, manpower, technology and markets. China's institution of a special zone open door policy cannot be reversed.

Second, the modernization of China will be a long process. Even with the realization by the year 2000 of a quadrupling of the gross output value of industry and agriculture, and the attainment of a "comfortable standard of living," a considerable distance will remain to be traveled. At minimum, it will take another 30 or 50 years from that time to catch up with the economic level of the presently advanced industrial countries. Consequently, China's open door policy must be a correspondingly long-term policy, which is to say that China's basic national policy is positively not a policy of expediency to cope temporarily.

Next, will the open door policy change? Everyone is aware that any economic reform is formulated for the achievement of certain economic goals, and China is no exception. As economic development of the special zones becomes a reality, how to more beneficially attract foreign capital, use world advanced technology and compete in international markets, and what is good for development of the special zones and the domestic economy are problems of common concern both to China and foreign countries. Accordingly, the basic aspects of the open door policy will not change, and if specific policies change, they can only change for the better, be better suited to the exchange between China and the outside world of capital, trade and technology, and be more in keeping with the interests of both China and the outside world. Foreign trader investors need not be greatly worried about this.

Second is thoroughgoing reform. The new unhealthy tendencies do not derive from the open door policy or system reform per se. In the correction of new unhealthy tendencies, including the banning of so called "parallel goods" and black market foreign exchange transactions, the use of every policy measure is entirely correct. This unhealthy phenomena disturb normal trade and foreign exchange markets, hurt national economic life, and make it difficult to control the macroeconomy. The reason for them is that some units and individuals take the opportunity to exploit preferential policies and concoct various pretexts to derive benefit from reform, as well as turn the public interest to personal benefit and embezzle state profits.This is to say that objectively some units and individuals do bad things without regard to the country and long-term interests, and that subjectively that the country did not have completely sound policy measures and laws in advance nor did it make distinctions with regard to special zones when taking emergency actions after the fact, but rather acted with "arbitrary uniformity." But, these were specific methods used with regard to the special zones' open door policy that are now in process of being revised. Distinctions are being made on the basis of actualities and peculiarities of the special zones and specific problems are currently being gradually solved. These, then, are specific problems in carrying out the policy; they are not changes in the basic open door policy. Even specific policies can only become increasingly realistic and tend toward perfection.

In short, the open door policy is a basic national policy for China's socialist modernization. If it is to change, it can only move ahead to change for the better; it cannot move backward to change for the worse. This is because a sealed off economy or a semi-sealed off economy offers no way out. Practice has shown and will continue to show that prospects for the special zones open door policy are wonderful.

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DEVELOPMENT OF EXPORT-ORIENTED ECONOMY REQUIRED

Guangzhou KAIFANG [OPEN POLICY] in Chinese No 3, 8 Mar 86 pp 10-12

[Article by Ding Lisong [0002 0536 2646]: "Steadfastly Develop an Export-Oriented Economy in Special Economic Zones"]

[Text] After developing for more than 5 years, China's Special Economic Zones [SEZ's] are now fairly well-established. At the working conference on SEZ's which closed in Shenzhen recently, it was proposed that SEZ's vigorously advance in the direction of an export-oriented economy during the Seventh 5-Year Plan. A new stage in their development has begun.

Since their creation, the three zones of Shenzhen, Zhuhai and Shantou have accumulated social fixed assets approaching 10 billion yuan and built up an industrial and agricultural output capacity worth more than 3 billion yuan annually. While they have come a long way from their first days, their task ahead remains an arduous one. The SEZ's must be determined to explore new approaches unremittingly and usher in a new era.

That the zones must develop an export-oriented economy was made clear at their very inception. The CPC Central Committee and the State Council have emphasized time and again that the zones must concentrate on using foreign capital in economic development, on establishing Chinese-foreign joint and cooperative ventures and foreign-owned enterprises in their economic structure and on gearing their products toward the international market. The present proposal for an export-oriented economy in effect only epitomizes the "three concentrations." Of course, the call for the development of an export-oriented economy has deeper and more far-reaching implications than what was originally envisioned. First, the zones should play an even more active role in the division of labor in China's social and economic development by absorbing advanced technology and managerial knowledge from abroad and training personnel equipped with modern expertise and experienced in international economic practices. Second, the zones should serve as "testing grounds" for the restructuring of China's economic system and the open door policy. They should experiment boldly and accumulate experience for use by the rest of the nation. These functions have been succinctly summed up as the "four windows" and "dual radiation" by party and government leaders like Deng

Xiaoping and Zhao Ziyang, an inevitable outcome of the logical development of the party's consistent principles and guiding ideas concerning the experiment in SEZ's.

Some comrades suggest that the party seems overly demanding in that while it did not say anything about export orientation in the past, it now wants the zones to be thus oriented as soon as possible. Clearly these comrades are mistaken. Other comrades believe that the zones were previously "domestically oriented" but have now "changed course." By ignoring the fact that SEZ's develop in stages, this view is equally one-sided. At the recent working conference on SEZ's, Comrade Gu Mu [6253 2606] rightly pointed out, "As the Sixth 5-Year Plan came to a successful end, the zones' embryonic age was basically over. Their formative stage has now arrived." This conclusion has cleared up public doubts and is an important guideline for the correct assessment of the situation in the zones and the determination of the zones' development principles in the Seventh 5-Year Plan and for a long time to come.

There is yet another point of view: SEZ's should be "open" or "dually oriented" instead of "export-oriented" because they must be open to the interior as well as the world. This argument, however, fails to accurately reflect the economic characteristics or developmental goals of SEZ's. As far as the overriding concerns of reform and the open door policy are concerned, is it not true that all regions in the country, including the northwest, southwest and vast stretches of the Central Plains, should be "open" and "dually oriented" in economic matters, import foreign capital and technology and step up horizontal economic linkages between regions and sectors? Only by orienting their economies toward export can SEZ's secure a unique position in China's economy under the overall demands of reform and the open door policy. The "four-window" functions of the zones have been graphically described this way: Out go products (including those that crystallize the nation's high technology,) and in come capital, technology, management and knowledge. Similarly, the SEZ's serve as a "radiating" center in two ways: They radiate outward the nation's products and the open door policy and radiate inward mainly knowledge, technology, qualified personnel and reform experience. Should SEZ markets and hinterland markets help satisfy one another's needs? The answer is clearly yes. Nevertheless, the zones essentially buy from the interior products to fill supply gaps in their markets, while sending to the interior import substitutes and technical products that can be exchanged for foreign technology or improve production conditions in the interior, such as certain equipment and key or basic parts and materials in short supply within China. It can thus be seen that the proposition that the zone economy be "open" or "dually oriented" instead of "export-oriented" dilutes the distinctive characteristics of SEZ's and cloud their developmental goals.

To meet the demands of their formative stage, SEZ's must make economic restructuring the thrust of their work this year and next.

Over the past 5 years and more, the zones have taken big strides forward. But even as they chalked up an outstanding record, they have unavoidably left behind a host of problems in investment structure, industrial structure and production structure that are now crying for solution. Among the major problems are a series of irregularities including excessive investments in capital construction as the zones over-extended themselves in recent years, a credit explosion, the rising share of funds tied up in long-term projects, a dearth of circulating funds among production enterprises, and an upsurge in consumption funds and commodity prices; an unsound investment structure characterized by an overemphasis on nonproduction capital projects; overly rapid expansion, which precluded the establishment of a favorable investment environment within a limited area; the inability of many enterprises to add value through processing and to export to balance their foreign exchange; and the fact that the managerial standard of enterprises and the quality of cadres and workers still fall short of what an export-oriented economy requires. The kernel of the problems is this: In their guiding ideas and focus of work, SEZ's have failed to keep pace with the evolving situation or put together a sensible and effective set of regulatory mechanisms to handle the relations between the whole and the part and between macroeconomic control and microeconomic invigoration.

Addressing the working conference on SEZ's, Comrade Gu Mu had these problems in mind when he demanded that SEZ's check the scale of capital construction and concentrate on production, standard improvement and economic efficiency enhancement. In other words, the zones must conscientiously devote themselves to "consolidation, strengthening, rectification and improvement" on the basis of their achievements over the past few years. Their short-term missions are:

--Formulate annual plans as well as an economic development plan for the duration of the Seventh 5-Year Plan, based on international market surveys and national economic forecasts. The key is to set a reasonable growth rate. Special Economic Zones owe much of the brisk growth of their agricultural and industrial output value from 1980 through 1985 to a strong infusion of additional inputs. So far they have not made it their priority to increase the efficiency of capital and inputs. If they manage to ease the growth rate properly, they will be able to cut back on inputs, increase outputs and augment national income appreciably while ensuring a steady expansion in gross output value.

--Hold the line on capital construction so that credit, consumption funds and prices can be more effectively controlled. In the short haul, SEZ's should concentrate their capital construction dollars on export-oriented production enterprises (particularly enterprises financed by foreign capital) that promise to be strong foreign-exchange earners. The aim is to help strengthen export-oriented industries. Moreover, SEZ's should continue to perfect infrastructural facilities so as to create a good investment environment without delay. Accordingly, the development of nonproduction projects should be tightly restricted this year and in 1987 and no new areas should be built in principle. In strict accordance with government control requirements, capital construction will generally be maintained at the 1984 or 1985 level. If we do a good job on these several fronts, we will successfully rein in increases in credit, consumption funds and prices.

--Enhance inter-industry coordination and step up enterprise restructuring with the central aim of improving social and economic efficiency. Based on the basic demand of increasing export and balancing foreign exchange, SEZ's must select projects carefully, whether they are financed by foreign capital or organized jointly with units in the interior, in order to ensure that new enterprises are economically feasible from the outset. Efforts should be made to adjust and scale back on enterprises which have developed the capacity mainly to assemble imported parts and components for sale on the domestic market. This can be achieved through industrial guidance and such economic tools as credit, interest rates and taxes. Incentives should be offered to enterprises to encourage them to develop new technology and manufacture new products for export. Legal mechanisms should be employed in enterprise restructuring to bring enterprise operations and activities under the supervision of such government agencies as auditing, tax, customs and industry and commerce administration. Scientific working procedures and a sound management system should be devised in an all-out drive to advance the various indicators, such as product quality, engineering quality, capital turnover rate, productivity, net output value and profit rate to the forefront among similar enterprises in the nation. Such an accomplishment can serve as the basis for the establishment of a system of evaluation standards for the export-oriented economy in the zones.

--Continue to reform the economic system in depth and provide good social conditions for sustained economic development. Prolonged confinement to a closed economic model has inhibited our ability to regulate modern economic activities. Even in the SEZ's, no notable breakthrough has been made in this regard. The most serious weakness is the failure to apply indirect control mechanisms to regulate the economy properly and skillfully. For this reason, reform in the zones should focus on the establishment of a macroeconomic control system that can regulate overall growth, adjust the economic structure, create a good economic environment for enterprises and manage economic activities through economic and legal tools and modern communications. To achieve this non-direct economic objective vital to the development of an export-oriented economy, we must clearly improve the decision-making - advising - supervision - execution system whereby zone authorities manage their economy. However, bearing in mind the spontaneous tendency of administrative agencies to directly intervene in economic life, we must demand that the central bank in the zones play a particularly active role in macroeconomic regulation and the easing of capital circulation to make sure that market mechanisms function smoothly. The challenge of financial reform in the zones will be the provision of systematic safeguards to enable banks to participate in macroeconomic decision-making more extensively.

These four tasks have been put forward for the sole purpose of sparking research and thinking to help the economic structure of the zones meet the demand of an export-oriented economy. Special economic zones are an experiment in the course of which success and limited failure may well appear in turns, but both embody promise and hope. Provided we explore painstakingly, strive to forge ahead and steadfastly work to develop an export-oriented economy, the experiment is bound to succeed.

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LABOR AND WAGES

METHODS OF WAGE CALCULATION IN TOWNSHIP, TOWN ENTERPRISES

Beijing CAIWU YU KUAIJI [FINANCE AND ACCOUNTING] in Chinese No 9, 20 Sep 85 pp 22-23

[Article by Li Wenhui [2621 2429 5610]: "Several Forms of Wages and Methods of Their Calculation in Township and Town Enterprises"]

[Text] Because of the economic structural reform, labor remuneration is now linked with economic results in township and town enterprises. A new way of remuneration has been adopted to suit the conditions of each enterprise. It more aptly embodies the principle of distribution according to work and plays a positive role in developing the township and town enterprises and raising the workers' living standards. There are now many different forms of remuneration in these enterprises, but this article will present the following four along with the different methods of calculation.

1. Remuneration Based on Consumption

This method is based on a close relationship between the consumption of various materials, fuel, and power and the consumption of labor. The lower the consumption per unit, the higher will be the wages; conversely, the higher the consumption per unit, the lower will be the wages. If the workers want to earn more wages, they must not only increase the output and improve the quality, but also reduce consumption. This form of wages is particularly suitable for the processing enterprises and in the shoe, hat and garment trades in which the consumption of raw materials accounts for a fairly high proportion of the production cost. An example of the actual method of calculation is given as follows:

A certain shoe factory signed a contract for 3,000 pairs of male and 4,000 pairs of female cloth shoes. The production of these shoes was assigned separately to workshop A and workshop B. The contract stipulated that the production price was 3.20 yuan for each pair male shoes and 2.90 yuan for each pair of female shoes (regardless of their sizes). According to the factory's calculation, the production cost in the workshops accounted for 80 percent of the production prices, after the following deductions: 5 percent for taxes, 1 percent to be turned over to the department in charge as management fee; 6 percent for the factory's management fee; and 8 percent as profits. Thus the production cost was 2.56 yuan (3.20 yuan x .80) for each pair of male shoes and 2.32 yuan (2.90 x .80) for each pair of female shoes. The workers' wages were equivalent to the production cost minus the consumption of materials and the appropriation of 11 percent of the wages for the workers' welfare funds. The products were classified into grade one and grade two which should account for more than 95 percent and less than 5 percent respectively. No wage would be paid for rejects, and the materials consumed on them had to be included in the total consumption. Thus, the workshops were only concerned with production and the factory guaranteed the supply of materials and the marketing of products. In the course of production, the workshops could draw any material they wanted without the factory's examination and approval. In calculating the wages, the factory must figure out the entire production cost according to the quantity and quality of the products examined and take into account the raw materials, fuel and power consumed, and the depreciation of the fixed assets to be charged. After deducting all these items, the remainder was the workers' wages. In this example, Workshop A fulfilled the contract for the male shoes and the products were checked and accepted. In this workshop, the consumption of materials accounted for 6,100 yuan; that of power, 300 yuan; and the charge on fixed asset depreciation, 200 yuan. Then the wages for that workshop were 2.56 x 3,000 - 6,100 - 300 - 200 = 1,080 yuan. After an 11 percent appropriation for welfare funds, the actual wages for the workers in the workshop were:

1,080 - (1,080 x .11) = 961.20 yuan.

Supposing that the proportion of grade one products was raised 2 percent for which the factory awarded a 30 yuan bonus, the total wages were:

961.20 + 30.00 = 991.20 yuan.

Similarly, the consumption of materials in Workshop B accounted for 75,000 yuan; that of power, 350 yuan; and fixed asset depreciation, 230 yuan. The wages for that workshop were:

2.32 x 4,000 - 7,500 - 350 - 230 = 1,200 yuan.

After an 11 percent appropriation for welfare funds, the amount was reduced by (1,200 x 11 percent) 132 yuan. Supposing that the proportion of grade two products rose 0.5 percent for which a penalty of 20 yuan was imposed, and 5 pairs of shoes were rejected (and the materials consumed were included in the total consumption) with no wage paid, then the actual wages for the workers in this workshop were:

1,200 - 132 - 20 = 1,048 yuan.

The wages of individual workers in the two workshops can be worked out according to their attendence, the grades of technical skill, and the piecework wages in various work processes.

2. Remuneration Based on Contracts

This form of remuneration can be used for the individuals or collectives contracted to fulfill certain economic targets for the departments in charge and assuming sole responsibility for profits and losses. The system of contract responsibility is now quite popular in various forms; so too is this form of remuneration. Contracts can be signed between the individuals and the work shifts and teams, between the work shifts and teams and the workshops or factories, and between the enterprises and their departments in charge, level by level. The contractor must fulfill the targets within the contract period. Part of the income from the above-quota portion has to be turned over to the state, or used for expenses in the implementation of certain policies according to the contract, and the entire remaining portion goes to the workers. The practice of imposing no ceiling or lower limit and the close link between the interests of the state, the collective and the individuals have fully aroused the enthusiasm of the workers in production. This form of remuneration is suitable not only for industrial enterprises but also for the construction, transportation and service trades. Now let us take a township-run brick-and-tile factory for example to illustrate this method of calculation.

A contract was signed between the workshop and the factory whereby the former guaranteed a profit delivery of 4,000 yuan every month in addition to the payment of 300 yuan for the fixed asset depreciation. The taxes for the state and the fees for the department in charge were to be paid at the rate of 10 percent and 1 percent of the output value respectively. According to the contract, the workshop had to buy clay (1 cubic meter for 660 bricks) from the factory, while the factory guaranteed the supply of coal and electric power. Should the production be interrupted by any delay in these supplies, the factory would pay 1.50 yuan to each person for each day lost.

The workshop had an output value of 30,000 yuan in 1 month (this output value is not specified in the contract). According to the contract, however, a total of 15,000 yuan had to be deducted for the materials, fuel and power consumed, 4,000 yuan to be turned over to the state out of the profits, 300 yuan to be charged for the fixed asset depreciation, 3,000 yuan (30,000 x 10 percent) to be paid as taxes, and 300 yuan (30,000 x 1 percent) to be paid as management fee. Thus

Workshop wages = 30,000 - (15,000 + 4,000 + 300 + 3,000 + 300) = 7,400 yuan

Welfare funds = 7,400 x 11 percent = 814 yuan

Actual workshop wages = 7,400 - 814 = 6,586 yuan.

The wages for this workshop can be divided among the individual workers according to their duties, types of work, attendance and so forth. Similarly, the workshop can contract the work according to the targets to the work shifts and teams or even the individual workers for making unfired bricks and for firing them.

3. Remuneration Based on Profit Sharing

According to this form of remuneration, a certain proportion of the profits realized in the enterprise operations will be distributed among the workers as wages. It is suitable mainly for the commercial, catering and service trades, because the amount of labor expended in these enterprises can only be reflected by their business income. The warehouse, store, work groups or individual workers may sign contracts with the enterprise, and the enterprise can in turn sign a contract with its department in charge.

There are two methods in profit sharing as a means of remuneration. First, the sharing of realized profits. This method is fairly simple, but the various taxes (such as business tax, income tax, energy and transportation tax, etc.) and the fees to be paid in the implementation of certain policies must be taken into account in advance. This is particularly necessary for the enterprises paying fairly heavy taxes. Second, the sharing of net profits, that is, the profits remaining after the payment of various taxes, the delivery of profits to the department in charge, and the depreciation charges. This method, though fairly complex, yields fairly practical results.

Examples for these two methods of calculation are as follows:

Wages = business profits (or net profits) x proportion of workers' share.

Example 1. A certain township industrial enterprise contracted the operation of its hotel to a certain person. According to the contract, the contractor had 40 percent of the profits while the hotel had the remaining 60 percent. The business profits of the hotel in that period were 2,000 yuan. According to the contract, the following deductions should be made: 100 (2,000 x 5 percent) yuan for business tax, 200 yuan for fixed asset depreciation, 150 for easily worn out articles of low value, and 250 yuan for water and electricity. Thus

Wages = (2,000 - 100 - 200 - 150 - 250) x .40 = 520 yuan.

Example 2. If the profits in the above example were net profits, then the income tax had to be taken into account in advance. The annual income tax should be figured out according to the eight-grade progressive tax and then broken down into a monthly tax to be readjusted at the year end. Let us suppose that 45 percent of the net profits in the above example were paid as wages, and that the annual profits were expected to be 6,000 yuan. (The actual profits would certainly turn out to be different, but this should not affect the payment in advance, subject to late readjustment.) If the correct tax rate were 28 percent, then, after the deductions by quick calculation, the income tax should be 1,300 yuan a year, or 108.30 yuan a month. Thus

Wages = (2,000 - 100 - 200 - 150 - 250 - 108.30) x .45 = 536.27 yuan

4. Remuneration Based on Piecework

Here the calculation for wages is based on the output or the amount of labor spent in the production. This form of calculation is a little biased toward the output, and can be used only in limited areas. It cannot be used in the enterprises whose consumption of materials accounts for a fairly high proportion of their production cost, but is suitable for the mining and tunneling trades, such as coal mining, quarrying, or stone and sand processing, because, other than some dynamite and tools, these enterprises consume little materials. This form of wages is easy to calculate and manage.

For example, the work team of a certain sand plant had a contract with the management whereby the factory guaranteed the sales of products and the work team undertook the production. The invoices of the transportation department and the receipts of the custodians were used by the work team as proof of its output. According to the contract, the wages were 5 yuan for each ton containing less than 3 percent and 4 yuan for each ton containing less than 5 percent of clay. No wage would be paid if the clay content is more than 5 percent.

The work team produced 400 tons of sand during the contract period. After a check-up, it was found that the clay contents were below 3 percent in 300 tons, below 5 percent in 90 tons, and above 5 percent in 10 tons. Thus

$$\text{The work team's wages} = 5 \times 300 + 4 \times 90 = 1{,}860 \text{ yuan.}$$

These wages were divided among the workers according to the amount of their labor.

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POPULATION

GANSU ACHIEVES POPULATION GROWTH TARGET

HK230433 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 22 May 86

[Excerpts] During the Sixth 5-Year Plan, Gansu's average annual, population growth rate was kept below the target of 12.8 per 1,000 and there were 35,000 less births than planned. This was announced at the provincial representative meeting of advanced collectives and individuals in family planning, which opened on 22 May. The meeting has been convened by the provincial CPC committee and government.

Lu Kejian, deputy secretary of the provincial CPC committee, spoke at the meeting. He said: In common with the whole country, beginning this year Gansu will enter a new 10-year peak population growth period. The national annual population growth rate must be kept below about 12.4 pr 1,000 during the Seventh 5-Year Plan. Gansu's current population growth rate is 2 per 1,000 higher than the national average. Family planning work is in a backward state in one-third of our counties. The task of controlling population growth is very arduous. The party committees and government must assign family planning work an important place and continually strengthen leadership over it.

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HONG KONG

HONG KONG URBAN PLANNING FOR TRANSITION PERIOD

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 43, 28 Oct 85 pp 9-10

[Article by Liu Shaojun [0491 4801 6874]: "Preparation of a Hong Kong Land Policy for 1997"]

[Text] The preparation of a Hong Kong land policy for 1997 is an extremely important topic. During the coming 12 year period, the formulation and putting into effect of Hong Kong's land policy will have an extraordinarily important effect on socio-economic development before and after 1997 as well as stability and prosperity after 1997. This large topic is worthy of the attention and study of progressive experts and of real estate circles of the older generation.

Basic Elements in the Formulation of Land Policy

First of all, I would like to propose for discussion several basic elements affecting the formulation of Hong Kong land policies as follows:

(1) Land is the world's most precious resource. In a flourishing and industrially and commercially developed society, this resource is even more precious. Hong Kong has a large population relative to available land, the land amounting to no more than 1,067 square kilometers and the population exceeding 5.4 million. By the end of this century, the population will have increased to 7 million. Formulation of a future land policy will have to provide for adept development, skilfull use and proper distribution of this precious resource.

(2) Real estate cycles fluctuate. During the past decade or more,the Hong Kong real estate market has gone through several cycles of rise and fall. As compared with elsewhere in the world, these cycles have been characteristically relatively short and the rise and fall fairly large as, for example, the high tides of 1973, 1980 and 1981 and the ebbtides of 1974, 1983 and 1984. Although they have be related to other special factors such as the oil embargo and the September 7 talks, basically they have been unable to escape cyclical fluctuations. Moreover, a look at recent events shows these fluctuations tending toward increasing severity and the cycles increasingly short. Consequently, in the formulation of a land policy, it seems that some

efforts should also be put on land and high rise building availability so as to regulate these fluctuations and avoid further adversity for industry, business and the lives of the people.

(3 Free Operation of the Real Estate Market in a Capitalist Society. Government land policies can not interfere too much in the free operation of the real estate market. This is the only way in which to insure the confidence of local and foreign investors in Hong Kong real estate and continue investment in construction in the city so as to promote further Hong Kong's stability and prosperity.

(4) Importance of private property rights. Hong Kong has no permanent property ownership rights; it has only property lease rights. Following the joint Chinese-British statement on Hong Kong,the incumbent government may lease land until the year 2047. Promotion of any land policy by government can not violate the provisions of land lease contracts or disturb property rights. So long as it is in the public interest, should it become necessary to take back property and change land lease provisions, a certain procedure has to be followed and appropriate and fair compensation given. Furthermore, the absoluteness of property rights must be fundamentally attested to in law to maintain investor confidence.

(5) Long Range Planning. Land development is an expensive task that requires a lot of time and careful consideration. Development of a new city or town such as Tunmoon and Shatin takes more than 10 years before construction is complete Therefore, the formulation of land policies requires a combination of a stable political environment and a long period of time. Prior to the joint Chinese-British statement, the government had formulated a long term land policy, but because of the 1997 limit, there was uncertainty about how long it would run.Currently, attachment 3 and quick formulation of a basic law have been matched up for the formulation of a long term land policy extending to the year 2047 that can be implemented.

(6) Future Economic Development. Hong Kong has more than 900,000 people currently engaged in the export manufacturing industry, but fewer than 80,000 engaged in finance and banking and the service trades. Consequently, industry and exports will continue to be Hong Kong's life blood. Naturally this will require thinking about production procedures, designing and science and technology to increase competitiveness. Nevertheless, a good land policy is a necessary concomitant to this development.

(7) Government Financial Policies. In Hong Kong, with its large population relative to available land, land revenues very obviously have a bearing on government fiscal policies. Expenditures for public works, which currently run to more than HK$5 billion per year are a mainstay of Hong Kong economic activity. Were it possible for a large part of these payments to be offset by income from land development, that would be of tremendous help for Hong Kong's low tax system policy. A look at the past record shows that land earnings for the 1979/1980 period accounted for 34.7 percent of government revenues; however, during the 1983/1984 period, they amounted to only 7.4 percent of government revenues. A look at the past 10 or so years shows revenues from land at a time of stability in the real estate market to have amounted to

approximately 10 percent of government revenues. If, on the basis of this figure, current land revenues are taken to be approximately HK$3 to 4 billion, this would help government stabilize its financial expenditures and avoid tax increases.

Does the Hong Kong Government Have a Land Policy?

During 1980 and 1981, we heard quite a few people talk about government's high land price policy, and during 1984 and 1985 some people also opposed government's low land price policy, which is to say that when prices were high, government sold at a high price and when prices were low, it sold at a low price. Does government have a land policy? I think it has always had one, though it has been incomplete. For example, the land policy for the New Territories some years ago was mostly decided by the Secretariat of Chinese Affairs and the New Territories District Administration with the result that it sometimes seemed that each department had its own regulations and that policy sometimes lacked continuity and longterm planning. Even during the 1970's, there was still no long term planning for the availability of land. This led to insufficient land and high rise buildings being available during 1979 and 1980 when the property cycle rose, so land prices soared creating a panic. Yet, with the windfall receipt of approximately HK$10 billion in land sales revenues, no detailed consideration was given to the continuation and consistency of these revenues and so they were not used well but rather only added greatly to regular government expenditures. As a result, when real estate was at low ebb in 1983 and 1984 and land revenues skidded to just slightly more than HK$2 billion accounting for only 7.4 percent of government financial revenues, income did not meet expenditures giving rise to huge financial deficits, which led to an increase in taxes, restrictions on government spending and an unstable currency. Fortunately, following the founding in 1977 of the Special Increased Land Development Committee, the government began to pay serious attention to the need for a complete and uniform land policy. Subsequently, the Increased Land Development Committee gave way to the permanent Land Supply Committee, which made a detailed analysis and study of land supply and demand and coordinated with government to regulate market activity. In 1985, this committee will be merged with the Construction Industry Consulting Committee and expanded to become a permanent land and construction consultation committee responsible for providing government with views for formulation of a land policy. Thus, in the realm of of land policy consulting, one might say there is a fairly complete system. In the realm of the formulation of land policy, the Land Development Planning Committee has been set up in government that is chaired by the Colonial Secretariat and whose members are all officials concerned with land and economic policies. As such, the task of formulating a long term land policy now has the necessary organization and the conditions.

To summarize, organizations currently concerned with the formulation of Hong Kong land policy may be divided as follows:

(1) Supreme policy organizations: a) Policy decisions are the responsibility of the Administrative Bureau. b) Legislative procedures are the responsibility of the Legislative Bureau.

(2) Formulation of policies. The Land Development Planning Committee (LDPC), chaired by the Colonial Secretary, consists entirely of government officials.

(3) Policy consultation. The chairman of the newly established Land and Construction Consultation Committee is not a member of government, and the committee consists of nine government and nine non-government members.

In addition, the Urban Planning Committee also has major influence on the formulation of Hong Kong land policies inasmuch as the formulation of and changes in the use of all land in Hong Kong is controlled by development blueprints drawn up by this planning committee.

Though the work of the Chinese-British Land Committee is limited to matters in attachment 3 such as control over the amount of land sold each year, study of land development costs, and the budgeting and distribution of income from land sales; nevertheless, these issues have a bearing on basic principles and application of Hong Kong land policies; thus the decisions of this committee will inevitably influence future Hong Kong land policies.

Formulation of Hong Kong Land Policies Geared to 1997

Finally, I will briefly point out here that the formulation of future Hong Kong land policies will require consideration of the following major issues:

(1) Proper and careful study and planning for the regulation of land availability and regulation of the number of high rise buildings, with regulation and stabilization of abnormal fluctuations in the real estate market so as to avoid further socio-economic dislocations during the transition period.

(2) On the basis of two feasibility models, decisions about and implementation of long term development plans for Hong Kong (until the year 2000) now seem likely to be concentrated on landfill in Hong Kong harbor including central district, Wanchai, Honghom, Chingchao and western Kowloon. But,in current long term development, one can thing ahead to the year 2047. Therefore, viewed from the angle of fairly long term and balanced development, should serious attention be given to development of the New Territories? Development of the northwestern part of the New Territories seems particularly worthwhile.

(3) Housing policy, regulation of the development of public and private housing, and balanced development of public and private housing, will not only have an important impact on the stability of people's lives and maintenance of free dealings by real estate enterprises, but also relates to government's financial revenues. As was said earlier, government income from land forms a major part of government financial policy.

(4) Rebuilding of urban areas and the task of land development companies. Cities constantly change. Like people, they go through a process of being born and aging. When an area has delapidated buildings, an overly congested population, land that cannot be used to the full and inadequate social facilities, it has to be rebuilt. In Hong Kong there are districts that have become old and severely delapidated after only a short number of years that

must be rebuilt to meet modern living conditions. Moreover, rebuilding of these urban areas also has to be carried out continuously in different places with the lapse of time. Hence, rebuilding of the city, improvement of the urban environment and establishment of land development companies to do the work will also be an important task during the transition period. But, during the transition period, people will be extremely sensitive about having their property rights guaranteed; land development companies will thus have to proceed with extraordinary caution in taking back small numbers of property rights.

(5) Interrelationship of land income, land development costs, and promotion of project planning as well as effect on Hong Kong financial revenues.

(6) Training of professional personnel responsible for formulating and carrying out land policies as well as for scientific and technical research and development of the exploitation, use and distribution of land.

The foregoing issues all require consultation, discussion and concentrated study to become a complete land policy that will enable Hong Kong to pass smoothly through this transition period. In addition, this will lay a solid foundation for Hong Kong's future stability and prosperity. (The author of this article, Liu Shaojun is a property assessor, the first deputy director of the Hong Kong Assessors Society, the first deputy director of the Hong Kong Land Administrators Society, deputy director and concurrently secretary of the Hong Kong Society for the Advancement of Science and Technology, a member of the Hong Kong Land and Construction Consulting Committee, and the honorary director of the Modernization Society.)

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CHINA REPORT

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NATIONAL POLICY AND ISSUES

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[Article by Yang Mu [2799 3092] and Huang Yiyi [7806 0001 0034] of the Industrial Economics Research Institute of the Chinese Academy of Social Sciences: "Demand Management Should be Integrated with Supply Management--With a Discussion of the Need for Studying and Formulating Industrial Policies at the Highest Possible Speed"--written in January 1986]

[Text] In recent years, theorists in China have achieved remarkable progress in systematically studying the inherent relations governing the working of the economy. For example, great attention has been paid to the following subjects: the coordination between economic development models and economic structure models; the relationship between the macroeconomic mechanism and the microeconomic base, between the mechanism of working of the economy and the structure of ownership, and between the direct control mechanism and the indirect control mechanism; the overall functions of the system of policies embracing financial policies, monetary policies, income policies, and so on; the comprehensive use of various economic levers like interest, taxation, and pricing; and so on. Despite this progress, however, we feel that there exists a tendency of stressing demand management at the expense of jointly using demand management and supply management in a well coordinated way. Everyone knows that a basic attainment of equilibrium between demand and supply is a basic condition for the steady development of any commodity economy. How to achieve this equilibrium is a key topic in economic theory. In the current period, our country is changing over to a planned commodity economy, so that it is absolutely necessary to stress building and perfecting the market mechanism and practicing demand management. However, can demand management completely take the place of supply management, and should macroeconomic management include only demand management? We cannot bypass this question in theoretical study. This article gives an introductory discussion of this problem.

I. Necessity and Limitations of Demand Management

Since the latter half of 1984, our country has been facing a number of problems, such as an excessive speed of industrial development, a shortage of goods and materials, a reduction of foreign exchange reserves, and so on. To solve these problems, the state has proceeded to control and reduce aggregate social demand, and has implemented step by step a series of demand management policies, like imposing strict target management on the release of credit funds, reducing the scale of capital construction, controlling the aggregate social purchasing power and total wages, and so on. At present, these policies have shown initial success; the rate of growth in the total value of industrial output has fallen from 23.2 percent in the first half of 1985 to 8.8 percent in November; the expansion of the scale of capital construction investment has been checked; and, moreover, the imbalance between supply and demand has diminished owing to the increased import [words indistinct] materials in short supply. However, it can be seen from what happened last year that relying on demand management policies alone can seriously affect the achievement of sustained economic stability and equilibrium between demand and supply for the economy as a whole.

First, there is a limit to which a demand construction policy can control aggregate social demand. Consider consumption demand. Under our country's current system, an increase in income for the workers of some localities or enterprises can easily cause a general and nationwide rise in the overall level of workers' income. Moreover, a huge balance of social purchasing power, a lag of supply of materials and raw materials behind demand, and a rise in workers' income have led to cost-push and demand-pull price increases which are developing into an inflationary pressure that induces workers to demand further rises in income. Consequently, the state's restrictive income policies can hardly be effective. From January to November 1985, in the entire sector of ownership by the whole people, the total wages distributed to workers still registered a 17.9 percent growth, whereas in the same period labor productivity grew by merely 9.8 percent, and the outstanding purchasing power of urban and rural residents exceeded 200 billion yuan. It has thus been difficult to quickly end the expansion of consumption demand. Next, consider investment demand. The per capita living space in our country's urban areas is currently only 4 to 5 square meters, which is seriously inadequate. Therefore, investment in residential construction has been growing at a steady and high rate in recent years. From January to September 1985, while the scale of capital construction was being reduced, the proportion of residential construction investment in total capital construction investment rose 2.5 percent, and the amount of residential construction investment equaled the total budgeted investment in fixed assets. Because this large scale investment could not be reduced, attempts to control the aggregate investment demand were inevitably partially ineffective. Therefore, judging from either consumption demand or investment demand, even a single instance of neglect of the multiplier effect of demand-based spending can limit the effectiveness of policies for controlling and reducing aggregate social demand. If further measures for reducing demand are to be taken, then, for one thing, the marginal costs (including economic social costs) of these measures will become increasingly higher, and for another thing, productive investment will inevitably be overly reduced, affecting future supply and causing future disequilibrium between demand and supply. Therefore, it is difficult to achieve perfect equilibrium between demand and supply by relying only on controlling and reducing aggregate social demand; a very severe measure of this type may even result in a negative gain.

Second, demand restriction policies by themselves will adversely affect the investment structure. The investment structure is a medium that can gradually bring the production structure (supply structure) in line with the demand structure. The weakest link in our country's current economic development is the incompatibility of the infrastructure which includes transport and communications facilities and so on, the incompatibility of the production capacity of energy resources industries like electric power, finished oil products, and so on, and the incompatibility of the production capacity of materials and raw materials industries like steel products, cement, and so on. In the absence of supply policies that can help pool social funds for the intensive development of certain selected industries, the relevant expensive and time-consuming investment products can only depend mainly on budgeted state investment. If the control of consumption demand and consumption-related investment demand becomes partially ineffective, a restrictive policy for controlling aggregate demand can exert a marked, albeit short-lived effect only in reducing relatively large-scale budgeted state investment projects. This will reduce the investment in those weak links which most badly need an increase in investment, portending an unfavorable change in the investment structure. In the period of January to September 1985, out of our national total capital construction investment, the relative share of nonproductive investment rose to 43.1 percent, against 37 percent in 1984, and on the other hand, investment in transport and communications and investment in energy resources grew by 19.5 percent and 27.7 percent respectively, far slower than the 38.6 percent growth in total capital construction investment. Some key construction works in the communications and electric power sectors had to be slowed down or suspended though they should have been speedily completed by the state. The current situation of our weak links is as follows: While coal output has increased quite substantially, the overstocking of coal amounts to a few dozen million tons because of the limited transport capacity; a national shortage of electric power has persisted over the past 15 years since 1970, causing an estimated reduction in the value of industrial and agricultural output of the order of 100 billion yuan and an estimated reduction in industrial profit-tax revenue of several hundred billion yuan; the total import of materials and raw materials is now approximately two-thirds of total national imports, exceeding in value the total amount of foreign exchange earned from oil exports. The present malady in the production structure, marked by hefty production activities on a weak foundation, will probably be further aggravated by the unfavorable change in the investment structure, under the condition that industrial exports cannot relatively quickly increase substantially.

Third, restrictive demand policies by themselves carry the potential danger of generating a more serious expansion of demand. For one thing, an unfavorable change in the investment structure aggravates shortage and further narrows supply bottlenecks. For another thing, a continuous expansion of consumption demand and consumption-related investment demand helps direct the greater part of unbudgeted investment funds to continuously pour into processing-industry projects that yield quick results and require small investments. The inevitable result is that the pressure of potential investment demand becomes increasingly stronger in the case of products in short supply and investment-type products. Thus, whenever demand management control, particularly the control of capital construction, is relaxed, even slightly, investment demand will quickly surge to a peak level. Short cycles will be formed in the overall process of industrial development, namely, starting of products--suspension--restarting, in the case of some key projects, and expansion--contraction--expansion, in the case of demand for certain investment-type products. These short cycles not only damage the limpidity of the socioeconomic environment and encourage enterprises and local governments to gear their actions to the short term only, but also affect the steady development and technological advance of various industries. Examples can be found in recent years. For instance, the sale of vehicles dropped by a hefty 21 percent over the previous year when investment in the carmaking industry was curbed in 1981, rose again in 1982, and increased by 21 percent and 36 percent in 1983 and 1984 respectively. Previously, the carmaking industry's annual output of 200,000 could not all be sold, but after a span of 3 years, the increased annual output of 300,000 plus a hefty import of vehicles fell short of demand. In the first half of 1985, when a restrictive policy was implemented, the market in vehicles again slumped, and the stocks in several major carmaking factories rose 17 to 58 percent between the beginning of the year and the end of June. A major reason for this phenomenon is that merely controlling aggregate demand and the overall scale of investment can easily cause society's actual total purchase of investment-type products to be crowded into periods of relaxed control, so that demand peaks and troughs alternately appear in short cycles, increasing the extent of demand fluctuations.

Fourth, restrictive demand policies alone cannot effectively deter the unchecked development of small enterprises that yield poor results. In the case of investment-type products, because demand peaks and troughs alternately appear in short cycles, various enterprises and localities are unwilling to invest in large or medium-sized enterprises which yield good results but involve greater risk and entail a longer period of construction. In periods of peak demand, market prices or disguised prices rapidly rise, so that inefficient, high-cost small enterprises can also reap relatively great benefits in the market. When demand tumbles, these small enterprises may have reaped enough profits and may switch to other products, or, given that the state can control mainly large and medium-sized enterprises, the small enterprises can continue to outdo large or medium-sized ones that are efficient and of good quality if they can continue to maintain their sales and secure an adequate supply of raw materials by illegal means like discounts or spending money on sales promotion, or even by taking advantage of the administrative protection of local governments. Consider the example of Anshan Iron and Steel Company, the biggest integrated iron and steel works in China--it is permitted to increase its output of steel by 1 million tons according to approved technological transformation schemes in the Seventh 5-Year Plan; however, under the current tight credit conditions, it can only raise 80 percent of the funds it needs. But at the same time various municipalities and counties in Liaoning are setting up several hundred high-consumption, poor-result small iron and steel works, thus aggravating the shortage of energy resources. Consider also the Fushun 301 Aluminum Plant, the largest electrolytic aluminum factory in China; it is working at less than half of its production capacity because of power shortage; however, many small aluminum factories, with a unit consumption of electricity much greater than that of large factories, have sprung up in various localities in the northeast over the past several years. In the case of consumption-type products, because there is a huge balance of surplus social purchasing power and because differences in per capita income have been relatively small in China over many years, social consumption tends to be concentrated on certain commodities; if a "peak" in the demand for several consumer goods appears in the short term and brings considerable profits to producers, various enterprises and localities will eagerly increase the output of those consumer goods, resulting in transitory investment in those projects which mostly entail a relatively small unit investment. Examples are the production of the three old major items several years ago and the current production of high-grade household electrical appliances. Theoretically, controlling aggregate social demand will promote the formation of a buyers' market in industrial products and ruin some enterprises yielding relatively poor results. Actually, however, things are not so simple. For one thing, whether in the case of investment-type products or consumption-type products, there are some industries which probably will not see an excess of supply over demand in the near future. For another thing, the continued existence of the old system means that partial market protection and segregation will also continue to exist. Moreover, because the current restrictive policies can effectively control mostly large enterprises and budgeted large-scale investment projects, opportunities correspondingly arise for the development of small enterprises and small-scale investment projects that yield poor results. Therefore, if there are restrictive demand policies alone, without definite supply policies as a complement, it will be very difficult to deter the unchecked development of inefficient small enterprises, so that the supply capacity of those with poor results greatly develops at the expense of those which yield good results.

To sum up, although we feel that the present policies for controlling aggregate social demand have relatively satisfactorily curbed the overheating that occurred in the course of our economic development, they cannot solve the problem of equilibrium between aggregate demand and aggregate supply, or make the supply structure compatible with the demand structure, or remove the potential danger of further expansions of demand, or curb the unchecked development of small enterprises that yield poor results. We have reason not to expect too much of the current policy system.

II. Coordinating the Use of Demand Management and Supply Management

Over the past several years, equilibrium between social demand and supply has indeed been rather successfully attained, within certain limits, in Western nations mainly by using fiscal and monetary policies in coordination and by alternately stimulating and restricting demand. However, we must note the great differences in economic circumstances between China and the Western nations. First, ours is maturing-type economy of the 1980's, which differs from most Western nations of the 1960's and 1970's. Our nation lags far behind other nations in living standard and living conditions. In the long term, the method of controlling aggregate demand alone, without quickening the expansion of supply capability to achieve equilibrium between demand and supply, will not work. Second, ours is a developing country; not only are resources and funds inadequate, but the infrastructure is backward and much remains to be improved. We differ from the Western nations which, in the course of several centuries of sustained development, have been able to gradually expand their infrastructural facilities and investment in public utilities during times of dwindling demand. The situation facing us is that while rapidly increasing consumption demand must be satisfied, the building of the infrastructure must also be promoted on a full scale. If we only control aggregate demand, which cannot really be fully controlled, an adequate investment in infrastructural construction cannot be genuinely ensured. Third, our country is currently undergoing a change from the old directive-type economy to a planned commodity economy, and differs from the Western nations which have been developing for a long time under the circumstances of a commodity economy. The limpidity of our markets is poor and our price signals cannot correctly reflect demand and supply conditions. Even if aggregate demand is successfully controlled, our markets currently cannot help solve the possible problem of blind development. Fourth, whereas the Western nations have a complete system of commodity, labor, capital, and foreign exchange markets, things are different in China; though our commodity markets have been initially established, markets in various production factors are not yet well developed and great frictional forces are affecting the flow of production factors; and, in the absence of certain corresponding measures, the rapid pooling of production factors by certain industries and enterprises will be very difficult, so that the time lag involved in the readjustment of the supply structure will be too long.

Therefore, we think that policies in China cannot have the same results as in the Western nations if we rely on demand management alone. But the question is that demand management is not the only way of achieving equilibrium between social demand and supply. Thus, in analyzing Western society in its early phase, Marx said: "The expenditure of definite quantities of total social labor of various types is necessary for those quantities of products which correspond to various quantities needed. This need for allocating social labor in some definite proportions certainly cannot be eliminated by the specific forms of social production; what can be altered is merely its form of expression. This is self-evident." (Footnote 1) ("Selected Works of Marx and Engels," "To L, Kugelmann (July 11, 1868)," Vol 4, p 368) Western society in its early phase could only rely on the spontaneous functioning of the market to allocate the quantity of labor and readjust supply, so that the frequent occurrence of disproportion and cyclical economic crises was inevitable. In the socialist states, founded on the basis of Marxist theory, the replacement of private ownership by public ownership helps create conditions for consciously developing supply according to the right proportions, achieving equilibrium between demand and supply, and avoiding waste. It can be said that stressing supply management in achieving equilibrium between demand and supply is precisely an unprecedented feat of the socialist states in the world history of management. No one can deny that this unprecedented feat did open up a path of rapid industrialization for the USSR after the October Revolution, for post-liberation China, and for other socialist states. Of course, there is no denying the fact that our construction has been affected by grave problems such as the practices of one-sidedly striving for a rapid growth in output value, exercising overly rigid control, fettering the enthusiasm of the enterprises and localities, ignoring market demand and the functions of the market mechanism, and so on. However, those problems are precisely due to violation of the correct idea of proportionate development, aside from reasons connected with the system. Under the guidance of the spirit of the 3d Plenary Session of the 11th CPC Central Committee, while vigorously invigorating the enterprises, perfecting the market mechanism, and strengthening demand management, we are also carrying on China's tradition of supply management, developing supply according to the correct proportions and with relatively good results. This will be conducive to a sustained, steady development of our economy and will more satisfactorily reflect the essential significance of the planned commodity economy.

The postwar economic history of various nations shows that supply management is gradually becoming an important part of the Western nations' macroeconomic management. Japan and West Germany, the two postwar economic miracles, have always exercised supply management to a greater extent than other Western nations, while simultaneously practicing demand management, in the course of their economic development. Japan vigorously developed heavy industries and chemical industries in the 1950's, and quickened the development of the machine-building industry after the 1960's, thus achieving unification of the machine-building, electrical machinery, and instrument manufacturing industries. West Germany did the same. As early as in 1948, Erhard, a disciple of the theory of social market economics, carried out a reform of the monetary system, and at the same time organized and implemented "a crash program of producing various categories of cheap garments, shoes, and daily necessities in short supply." (Footnote 2) (Ai [1002] Ha-te-li-qi [0761 3676 6849 1142] (American): "The Rise of the Fourth Reich," Shijie Zhishi Chuban She [World Knowledge Publishing House] 1984 edition, p 14) In subsequent development various West German administrations invariably strived to build an overall structure conducive to industrial development. The governments of some rising industrial countries like South Korea, Brazil, and so on, have further adopted various measures to support the development of their key industries like shipbuilding, carmaking, and so on. Even the U.S. Government, which for many years followed the Keynesian policy system, began in the late 1970's to adopt an increasingly larger number of supply management policies in order to deal with stagflation and foreign competition. For example, it has relaxed the interpretation of antitrust laws and permitted enterprises to carry out joint research and development programs for producing new products; it has encouraged investment in high-technology industries by tax cuts or exemptions; it permits accelerated depreciation allowances according to 1981 tax laws on automobile manufacturing equipment and special lathes and so on so as to promote the renewal of the equipment of traditional industries; it agreed in 1979 to provide loans amounting to 1.5 billion dollars to Chrysler, the third largest car manufacturer in the United States, to help it restore production; and so on. In announcing his "economic revitalization program" upon becoming president, Reagan clearly stated that supply-side economic was his theoretical basis. In the 1984 U.S. presidential election the Democratic Party, which used to adhere to Keynesian economics, surprisingly chose the advocation of industrial policies as their election campaign slogan. Although on the increase or reduction of state intervention they were sharply opposed to the policies of Reagan and his Republicans, they were surprisingly unanimous with the Republicans in regard to the basic policy of attaching importance to supply. Of course, both the Republicans' policies and Democrats' election campaign slogans were in fact bourgeois politicians' political tools; nevertheless, they did at least reflect changes in public opinions and social choices in the United States. Western communities have begun to realize that the economic problems facing them cannot be effectively solved by relying only on demand management and the market. In today's world of the 1980's, we have no reason to ignore these changes of the past several decades in Western concepts of macroeconomic management, to keep on mechanically citing the Keynesian theory, or even to conceive the modern commodity economy in terms of Adam Smith's theory, treating supply management as incompatible with the market economy.

Theoretically, there are at least several reasons why supply management should be applied to an increasingly greater extent in a modern commodity economy in conjunction with demand management. These reasons are:

First, functionally, supply management and demand management are two considerably dissimilar methods of macroeconomic management. Each can supplement, but not replace, the other. Demand management aims to counteract economic cycles by depressing or stimulating demand, and to achieve equilibrium between demand and supply under the condition of a relatively satisfactory level of employment. The time span involved is short, and the main object of management is demand. But supply management aims to quicken economic development through improving the efficiency and results of supply and optimizing resource allocation, to increase future supply capability, and to achieve equilibrium between demand and supply. This is a medium-term to long-term matter, and the main object of management is supply. These differences in goal and object call for corresponding differences in the methods and means of management. Demand management mainly deals with aggregate quantities; various macroeconomic aggregates, like aggregate demand, aggregate supply, the overall employment level, the total circulation and stock of money, and so on, are analyzed, and on this basis fiscal, monetary, and income policies are formulated to achieve balance and coordination between various aggregates. On the other hand, supply management mainly deals with individual quantities; thus, in the light of general trends of world economic, scientific, and technological development, and in the light of domestic conditions and various nations' experiences, various industries and various categories of enterprises are subjected to different degrees of management; curtailment, augmentation, relaxation, restriction, acceptance, or rejection may be practiced as warranted by individual cases, so as to enhance the results of resource allocation under the precondition that the aggregates are in proper balance. If demand management is viewed as a main switch controlling various aggregate levels, then supply management is like a fine-tuning device controlling the demand and supply levels of various individual economic quantities. Obviously, for any economy, short-term equilibrium cannot replace long-term coordination, and control of aggregates cannot replace the fine-tuning of individual quantities.

Moreover, very often, the market mechanism cannot effectively resolve certain major problems of resource allocation. If there is only demand management, society will completely depend on the market mechanism in allocating resources and fine-tuning supply under the precondition that aggregates are in equilibrium. After several centuries of development of the commodity economy, the Western nations have learned that the market mechanism is not always effective. In Western economics, there is an important concept called market failure, which means that the functioning of the market mechanism is usually ineffective when external economies or diseconomies exist under the condition of monopoly, when certain goods and services are produced for concurrent public consumption, or when the market mechanism is imperfect. Then, government must safeguard overall social results by adopting certain supply management measures. This ineffectiveness of the market mechanism is repeatedly mentioned in the reports of some economists from the East and the West who came to lecture in China over the past several years. For example, at a seminar held in China last year, the Hungarian economist Ke-er-nai [4430 3643 1143] said: "The market also often fails to satisfactorily resolve certain major problems of allocation and reallocation. Correct government actions are certainly necessary. The market is a regulatory mechanism which can produce both desirable and undesirable results." (Footnote 3) (Ke-er-nai [4430 3643 1143] Ya-nuo-shi [0068 6179 0087]: "The State Enterprises' Dual Dependence--the HUNGARIAN Experience," in JINGJI YANJIU, No 10, 1985)

Furthermore, judging from the general process whereby the less developed countries have caught up with or surpassed other countries, a "principle of effective supply" does objectively exist, according to which general supply capability differs from the kind of supply capability that yields better economic results. Genuinely effective supply is that which both embodies supply capability and yields better results. A country that can more quickly achieve effective supply can also more quickly catch up with or surpass other countries. Unlike the developed countries which are at the forefront of world economic development and which can only advance by exploration, the less developed countries always have two options in building their own supply capability: first, allow the random functioning of the market to form a general supply, and then allow domestic and international competition to eliminate the inferior, leaving the superior to survive, so that general supply can gradually develop into effective supply; and second, study and assimilate the experiences of the developed countries, and correspondingly adopt policies or measures to promote the direct transformation of the limited domestic resources into effective supply, or to quicken the formation of effective supply. Clearly, the first option basically depends on the working of the market mechanism; it can lead to the formation of effective supply, but takes a long time. For a developing country of the 1980's which is under the pressure of increasingly more intense international competition and increasingly stronger domestic expectation of, and demand for a higher living standard, it is doubtful whether there is so much time for steadily developing the commodity economy in this way. The second option means greater state intervention and the need for taking risks related to the correctness of policy options and the possibility of erroneous government actions in the form of giving arbitrary and impracticable directions; however, if appropriate options are taken, the countries can more quickly catch up with or surpass other countries. Over the past several decades, those less developed countries in the world which have developed rather quickly have invariably taken the second option; they have adopted supply management measures to a greater extent than the developed countries to quicken the formation of effective supply.

In the light of the analysis above, it is both possible and necessary to use a combination of supply management and demand management to achieve demand-supply equilibrium and steady economic development. In developing the socialist planned commodity market and gradually perfecting the market system, we should note: 1) perfecting the market system takes a relatively long time; and 2) even when the market system becomes perfect, not all problems of resource allocation can be effectively resolved. However, for a developing country, building an effective supply as quickly as possible and shortening the time needed for catching up with or surpassing other nations are very urgent matters. Therefore, we should attach importance to both demand management and supply management. For one thing, we should use fiscal policies, monetary policies, and so on to control the scale of society's aggregate demand and to set appropriate limits for the rate of growth of aggregate supply, so that a buyers' market can gradually be formed in the case of the majority of commodities, and competition and technological progress can be promoted. For another thing, we should use industrial policies and so on to quicken the rational flow of production factors, to optimize resource allocation, and to quicken the rationalization of the enterprises' scale, so that effective supply can be formed, supply can be relatively quickly improved in terms of quantity and quality, and society's increasingly growing needs can be satisfied.

Of course, it must be further clarified that what this article means by attaching importance to supply management is that in the course of building and perfecting a planned commodity economy, we should pay attention to adopting those policies and measures which help improve and upgrade the results of existing supply, and we should learn from the experience of development of other countries so as to optimize resource allocation and directly form a new supply capability that yields relatively good results. This is basically different from the past method of simplistically subjecting products to directive management. The practice over the past 30 years or more tells us that in order to improve the results of supply, we should strengthen the enterprises' vitality and competitive ability in the international market aside from optimizing resource allocation and improving macroeconomic management. This calls for the building and perfecting of a competitive market and also the control of aggregates through demand management, instead of having the state decide everything and allowing supply to determine everything. On the other hand, however, learning from past experiences does not mean that we should exclude supply management from macroeconomic management or, as simplistically asserted by some comrades, we should "control demand and give free rein to supply."

III. Study and Draw Up as Quickly as Possible Industrial Policies as the Principal Means of Supply Management

It appears at first sight that the concept of industrial policy is a new and foreign one. This term first appeared in the 1950's and 1960's in Western Europe and Japan. In recent [words indistinct] has been frequently used by the media and theorists in some newly industrialized countries and even in the United States. According to Western economists' definition industrial policy is a collective term for a group of government policies which serve to alter resource allocation among industries, or to impose intervention on the organizational structure of certain industries so as to prevent the possible damage done to overall national interests as a result of certain unrestricted functions of the market mechanism. (Footnote 4) (See Masahiro Okuno and Kotaro Suzumura: "Economic Analysis of Industrial Policy: Framework Through the

Japanese Experience," a thesis presented at the 15th Asia Pacific Trade and Development Conference, 1985, Tokyo) In other words, industrial policies serve to supplement the commodity economy's market mechanism through supply management and to optimize national interests. In the light of this definition, some of our major state policies of the past concerning industries, and related to resource allocation and reorganization of industrial production, can also be called industrial policies; these policies included: taking steel as the key link; giving priority to the development of heavy industry; encouraging the development of five industries producing light products and industries in the countryside and towns; other policies adopted since the 3d Plenary Session of the 11th CPC Central Committee like "assigning priority in ways" to light industry and the textile industry, invigorating large and medium-sized enterprises, promoting the technological transformation of enterprises, encouraging the export of industrial products, and so on. It can be said that every socialist country, which views the planned and proportionate development of the national economy as an objective economic law, begins to have industrial policies from the day of its birth. In discussing industrial policies, Western scholars have had many treatises of socialist countries' industrial policies. (Footnote 5) (See "American Journal of Economics and Sociology," January issue, 1985; quoted in "Guowai Shehui Kexue Qingkuang [The Condition of Social Sciences Abroad]," No 10, 1985) A-mi-ta-yi [7093 1378 1044 0122] Ai-te-yi-ao-li [5337 3676 0122 1159 0448], the American sociologist who designed the industrial revitalization program for Carter's presidential election campaign of 1980, said without reservation: "industrial policy is planning," while the rivals were only using "a milder, more pleasing term." (Footnote 6) (See "Journal of Comparative Economics," Vol 8, No 4, Dec 1984, pp 377-412) Therefore, though we did not use the term industrial policy in the past, industrial policies are actually inherent in the socialist planned economy. At present, when our economic system reform has been going on for several years, some scholars have been unanimously talking about attaching importance to the study and formulation of industrial policies when they study how to control the scale of capital construction, how to control the speed of economic development, how to achieve equilibrium between social demand and supply, and so on. Instead of being a simple coincidence or a reflection of sequential influence in research, this precisely indicates that many comrades, proceeding from different viewpoints, have arrived at the same knowledge that while we are correctly carrying out a reform of our system and importing the market mechanism, there also exists a tendency of neglecting the use of supply-side measures to promote the planned and proportionate development of production. Whereas past experience told us that it is wrong to neglect and negate the market mechanism, present experience tells us that it is wrong to overly rely on the market mechanism.

Of course, it must be stressed that the industrial policies we now advocate must suit today's socialist planned commodity economy; they markedly differ in many aspects from the policies and plans applied in the past when market mechanism was absent or ignored. First, they are based on the goal of strengthening the vitality of our enterprises, particularly the large and medium-sized enterprises under ownership by the whole people, so that they can genuinely become relatively independent units which produce or deal in commodities. Both the promotion of the oriented flows of factors of production and the promotion of rationalization of the organizational structure of production are realized specifically through the enterprises. The granting of preferential treatment, subsidies, or tariff protection to certain industries or enterprises to pay heavy taxes, to undergo forced depreciation, or to surrender their domestic market share, and so on, are all done to help or force enterprises to acquire greater capability for self-development. This differs from what happened in the past, when the state directly determined everything concerning development and bore the risk of decisionmaking, thus progressively increasing the state's financial burden and reducing the enterprises' vitality. Second, the principal feature of our present industrial policies is that through plans and industry planning that provide unified guidance, they encourage the banking, financial, customs, and other relevant departments to achieve coordination in using various economic levers like interest rates, tax rates, depreciation rates, subsidies, exchange rates, and so on; they promote the pooling of society's funds and resources for use by certain industries and enterprises; and they help the enterprises acquire better economies of scale in the course of extending horizontal links and practicing cooperation between specialized units. They supplement the market mechanism and quicken the formation of effective supply through market competition, in contrast to the past practice of relying on administrative orders to effect the egalitarian transfer of resources, the closure or combination of enterprises, the suspension of production, or a shift to other types of production, thus disrupting and suppressing the market mechanism. Third, our present industrial policies pay attention to integral and coordinated development that is compatible with the inherent links of industrial chains; for example, they make the trade, industrial, and agricultural sectors form a complete chain for development the export of key products; they make import, digestion, and assimilation form a complete chain for quickening technological progress; they make urban and rural planning, development and building of houses, the construction materials industry, and the manufacturing of household equipment form a complete chain for quickening the improvement of the living condition of our urban and rural residents; and they make transport planning, the building of transport infrastructure, the transportation work of vehicles and ships, and the manufacturing of aircraft form a complete chain for rapidly improving our currently backward transport capability. They differ from the past practice of erecting barriers between various departments, between provinces and municipalities, between the central and local authorities, between military and civilian industries, and between industry, agriculture, commerce, the transportation sector, and the construction industry, [words indistinct] resources were allocated only according to base figures compiled on the basis of the data of previous years, thus obstructing the flow of production factors, or, resources were wasted because of certain investment projects which, despite being useful from the partial point of view, actually yielded benefits at the cost of losses elsewhere from the national point of view.

Although some industrial policies being implemented in our country are playing a definite role in promoting economic development, they are gravely inadequate in the light of the requirements of a planned commodity economy; they are not yet very satisfactorily coordinated with the existing demand management policies. In general, our industrial policies are relatively deeply ingrained with the vestiges of the old system. Not only are some old policies still being used without examination or correction, so that they continue to fetter the enterprises, but some newly formulated policies and measures have not departed from traditional conventions. For example, in our reform, the state readjusted the prices of some materials and raw materials, hoping to force the processing industries to reduce consumption and improve results. In the earlier half of last year, however, some industrial management departments explicitly stipulated that the ex-factory prices of the products of the enterprises under them should without exception be correspondingly raised by a certain extent, and the reallocation of market shares among enterprises through competition, which should have helped divert resources toward those enterprises which yield good results, was forbidden. Functionally speaking, they do not perform the bonding action of forming complete chains or systems; various policies restrain one another, nullifying the anticipated effects. For example, though our shipbuilding industry has made a good start in recent years in exporting ships, problems of pricing, borrowing money, division of foreign exchange earnings, taxation, and so on have made it better to buy foreign vessels rather than Chinese ones, to buy old vessels rather than new ones, to hire vessels rather than buy old vessels, and to entrust freight to foreign companies than hire vessels. This anomaly, coupled with a decrease in the ordered volume of freight using Chinese vessles, have correspondingly raised the fixed costs and designing costs of ships for export, and weakened the competitive ability of our shipbuilding industry in the international market. Thus, implementing the state policy of encouraging the export of products of the machine-building and electrical machinery industries is very difficult in the case of the shipbuilding sector. Structurally speaking, an overall planning of the industrial structure is lacking. For example, which industries ought to develop faster than before in terms of investment? Which industries should develop faster and prepare themselves for a hefty future export of their products? Which industries should right now strive to extend their share in the world market so as to earn foreign exchange for the benefit of our overall economic development? Which industries should now give up their domestic market share? In how many years should some industries give up their domestic market share? And so on and so forth. In the absence of this kind of overall planning, the existing policies can only tend to be geared to urgent current problems, and there is a lack of circumspect and farsighted consideration. For example, in the face of a shortage of energy resources 2 years ago, the state adopted the policy of "tapping the natural resources quickly while they are available," and obtained relatively good results in achieving short-term equilibrium in the energy resources sector; however, this led to problems like an increase in the amount of coal falling away in coal producing regions, a definite degree of destruction of mineral resources in some localities, and so on; and ways of achieving a steady long-term development of energy resources supply were not adequately considered. Similarly, over many years, in facing "flood peaks" in the demand for certain products, the state has repeatedly landed itself "in a state of emergency in preventing flooding"; it has not done preparatory work in regard to supply or appropriate channelling of consumption, measures that could have been taken with good foresight; in controlling the scale of investment or volume of import, simplistic categorization has been the only course of action, no consideration being given to whether a case is important or not, urgent or not; and so on. Considering actual measures, the state lacks effective means of ensuring success, so that some policies have remained empty talk or conceptual ideas for many years. For example, some strategic key areas of development were proposed several years ago and the building of mainstay industries has been put forth recently; for one thing, we must have appropriate methods for changing the traditional practice of allocating resources and funds to various segregated localities or sectors according to base figures, and for another thing, we must have appropriate measures for pooling funds by attraction or compulsion for developing those projects and industries under the condition that decisionmaking power should be gradually decentralized. Without joint efforts in these two aspects, the success of the so-called key things and mainstays cannot be ensured.

Considering various countries' experience and our national condition, we think the industrial policy system which China must now quickly study and establish should include three major parts: First, we must select and theoretically study those mainstay industries which over a certain period in the future will greatly affect China's economic development, and we must promote the pooling of society's funds and resources for developing those industries, so that they can develop more rapidly than before with relative stability. Second, we must study and formulate policies concerning the development of every industry, working out some policies and measures which can promote industrial modernization as existing conditions may allow. Third, we must study and formulate some inter-industrial policies concerning enterprises, such as policies for invigorating large and medium-sized enterprises, policies against monopoly, policies for helping develop horizontal links between enterprises so that organized groups of enterprises can be formed, policies for rationally quickening the development of enterprises in rural areas and towns, and so on. Implementing these three categories of industrial policies will entail the use of certain economic, legal, and administrative measures, as well as the coordination of various other policies, like those concerning investment, technology, import and export, consumption, finance, monetary matters, and so on. Thus, we can view industrial policies as a policy system aiming to modernize our economic structure, industries, and enterprises, and to improve the results of supply. They and those fiscal, monetary, and other policies which aim to control or stimulate demand, like warp and weft, together form a policy network which can form a unified entity to regulate the actions of the enterprises and other social organizations.

Because, judging from their content, industrial policies have those characteristics mentioned above which are strongly system-related, the study and formulation of industrial policies cannot be accomplished in a short time. However, as mentioned in the first part of this article, the existing demand management policies are subject to certain limitations and using industrial policies as soon as possible to make up for their deficiency is a highly urgent matter. We think this dilemma can be tackled in three ways. First, we can immediately adopt certain short-term measures which have not been subjected to full theoretical scrutiny but about which people have more or less the same views; for example, under the precondition that enterprises are encouraged to ensure good product quality, we can quicken the production of certain light industrial products, textile products, materials, and raw materials which are currently in short supply on the market, so that the speed of industrial development can be basically maintained at the current level, and development will neither be too rapid or too slow; while controlling the scale of capital construction, we can ensure the continuance of existing investment in key projects in transportation, communications, and electric power, so that even in times of economic contraction the relative share of investment in communications and electric power can grow; and we can draw up industrywide regulations governing high-consumption, poor-quality small enterprises, forcing them to close down by means of fines, not issuing production permits to them, and so on. Second, with the help of our existing department management bodies, we can appraise and examine all existing industrial policies from the viewpoint of whether they are conducive to developing the socialist commodity economy and improving the results of social supply. We can encourage the strengthening of horizontal inter-departmental links and the giving up of narrow-minded concern for department interests; we can propose better policies along the lines of the industrial chain concept and formulate some provisional regulations embodying industrial policies. Third, we can organize groups of comprehensive departments and experts working under the state to spend a number of years to conduct a theoretical study on comparative systems, to select some mainstay industries, and to establish a relatively systematic industrial policy system with well coordinated elements.

Like demand management, industrial policies, as a principal means of supply management, are subject to limitations. The principal limitations are: First, overly elaborate industrial policies containing many trifles may overly restrict the enterprises and adversely affect the development of their enthusiasm and pioneering spirit. Second, some industrial policies formulated without systematic analysis and economic evaluation may result in the issuing of arbitrary and impracticable directions, the disruption of the market mechanism, and deterioration, instead of improvement, of the results of supply. Third, the selection of mainstay industries entails definite risks of decisionmaking; any abrupt, unanticipated changes in the domestic or international setting may cause a waste of social resources. In studying and formulating industrial policies, we must consider these limitations and be careful; we must not treat them merely as a panacea. Only by considering problems in this way, with the macrosystem and not merely a single path in mind, can we relatively consciously pay attention to the symbiotic integration of planning and market, the integration of demand management and supply management, and the integration of fiscal, monetary, and industrial policies; only thus can our macroeconomic management attain a high standard.

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON RECONSTRUCTING MICROECONOMIC BASE

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[Article by Hua Sheng [5478 3932] and He Jiacheng [0149 1367 2052] of the Economics Research Institute of the Chinese Academy of Social Sciences, Zhang Xuejun [1728 1331 6511] of the Economic Readjustment Office of the State Council, Luo Xiaopeng [5012 1420 2590] of the Rural Development Research Center under the State Council, and Bian Yongzhuang [6708 0516 1104] of the Finance, Trade and Pricing Economic Research Institute under the Chinese Academy of Social Sciences: "The Reconstruction of the Microeconomic Base--More on Problems and Trains of Thought in the Further Reform of the Chinese Economy"--completed February 1986]

[Text] People's most basic understanding of the issue of the reform of the economic structure often begins with looking at the defects of the traditional model of economic movement. However, following the deepening of reforms, the necessity to reform the ownership base is raised, independent of man's will.

1. The Central Link in the Reform of the Urban Economic Structure

The Obstacles To Meshing and the Loss of Balance.

At the end of 1984, in the expansion of our nation's overall demand, expansion of consumption was the major leading factor. The expansion of consumer funds played an accelerating role in investment inflation and the overheated growth of the economy. The emergence of this situation was directly related to the haziness of property relationships after the changing of movement mechanisms. State ownership, represented by state-owned enterprises, was originally very closely linked with the centralized system of unified receipts and expenditure. Now it has been required to "mesh" with the market mechanism, and naturally much friction has been produced. Seen from this angle, a more important reason for the shortfalls of the traditional socialist system than the ossified pricing system is actually ownership relationships.

The ownership problem was very sharply brought out when the reform of the urban economic structure was just commencing. This is fortunate for China's reform of the economic structure. The ownership problem is, in essence, a structural problem of the microeconomic base. In the traditional system it was manifested as soft restraints on enterprises' budgets. Soft restraints on budgets was first brought out as an issue by the Hungarian economist Kornai in summing up the many aspects of economic movement. However, because the angle from which he summarized the problem was too broad, he was unable to find a solution to the problem. In fact, the basic reason that traditional socialist enterprises had soft budget restrictions in various respects was the soft restrictions in terms of property relationships. That is, the boundaries of the property and interests of the socialist enterprises, as individual enterprises, were not clearly stipulated. Thus, the central link and basic task in the reform of the economic structure is to proceed from the property relationship and reconstruct microeconomic organizations.

The typical situation under the traditional system is: Some enterprises have handed profits to the state amounting to tens of times the value of their own assets, but their production conditions are still backward, while the losses of some enterprises are sufficient to build several factories, and they are still doing well. The seriousness of the problem lies in the fact that after 7 years of economic reforms in China, there is still little relationship between the profits from the assets of an enterprise and the profits they actually retain.

It should be affirmed that development in leaps and bounds has been achieved in respect of having the movement mechanisms changing tracks during China's reform of the economic structure, and that the movement of economic systems has begun to be conditioned by market demand. However, as property relationships are, in general, still the same as before, the originally imbalanced process by which the economy is being monetized has been increasingly slanted through development. The coverage is very broad while the swiftly developing commodity market and the uncompensated and unbalanced fund factors form a movement which is greatly uncoordinated. In economic activities, the market restrictions (production restrictions) are tending towards hardness, while budgetary restrictions (investment restrictions) are still very soft. Enterprises are beginning to respond to market demands, but the reaction is either not economic or else it has very low efficiency. The industrial situation in society can be speedily readjusted in a short period, but it is difficult, even in the long term, to achieve an improvement and balance in the structure of the necessary natural resources. The ability of enterprises to develop potential, innovate and improve quality is very low. Their reaction to macroeconomic regulation signals is weak or even negative, making macroeconomic regulation very difficult. Clearly, the major contradiction in the further development of Chinese economic structural reforms is the friction and conflict between an economic movement model which involves dramatic track-changing and an ownership base which has changed little.

Several Attempts at Directional Reform.

One way is by changing the ownership relationships. An important method for improving microeconomic activities is by promoting the mixed development of various ownership components, so as to realize the diversification of the ownership structure. However, initial practice has shown that while the economic relationships of state ownership are basically unchanged and state-owned enterprises still lack vigor, when the ownership structure is diversified, the other economic component operators reap rich profits, producing disparities in social income and unrest among the people. With the state-owned economy, this often results in public things being used for private purposes and in the expansion of consumption. When various state-owned enterprises implemented experiments in leasing or in workers becoming shareholders, in the allocation of income the enterprise's state-owned funds were placed outside divisible profits. State-owned funds equals uncompensated funds. Through the years practices have become habits and such habits have reached the stage where they are very difficult to change.

Another flexible method by which it seems it will be possible to avoid large reforms is fund payments [zi jin fu fei 5261 6855 0102 6316]. It is generally believed that this can eliminate discrepancies between enterprises in terms of the funds they are equipped with, and raise the efficiency of fund use. However, because there are great disparities in the level of profits of the various areas and various industries, and even between particular enterprises, fund payment cannot be widely implemented. Behind these seemingly coincidental factors, there is concealed a profound mechanism of the commodity economy: The assets of an enterprise are its entirety, and their value or price is not determined by the amount invested in them initially. Rather it is determined by the productivity, that is the rate of profits, they realize. The latter determines the replacement cost. This is the process of asset appraisal which occurs every day in the modern commodity economy through the fluctuation of enterprises shares' prices and the sales of these shares. If this type of asset pricing departs from the movement of asset value (or net value) and is fully developed, in the environment of China where the land is broad, the levels of economic development uneven and the investment environment widely disparate, it will result in a great deviation in our nation's actual asset and investment structure. This will be manifested in the fact that even if the regional cost differentials are eliminated, asset revaluation will be considerably greater in most of the regions on the eastern coast and in several cities and areas in the western regions where transport is convenient and the population is centralized. Meanwhile, the assets of enterprises in the majority of the western areas, and especially in third-line enterprises, will be greatly devalued. In this situation, if we require everyone to make payments based on the original value or the new value of assets, we are sure to run into a brick wall.

Thus, the basic drawback of fund payments is that it completely mixes together the responsibilities and rights of the investment decision-makers and the asset users. In fact, it requires that the enterprises take on unconditionally, the entire risk of the state's investment decision-making. This will continue to give rise to softness in enterprises budgets. The payments are thus just a way of replacing old inequalities with new inequalities.

Reconstructing the Microeconomic Base--Inspiration From Rural Reforms.

Strictly speaking the production responsibility system in the rural areas is not a contract for production volume, but for land. Following the development of the commodity economy, there also appeared land transfer contracts. Thus, it is a land contract or operational responsibility system. The first step of land contracts is to make an overall assessment, within the production team, of the fertility of the plots, their distance away and such factors. From this, the production volume contracts can be fixed. The land contracts also gave rise initially to the short-sighted actions of plundering fertile plots. However, as the land contract periods were extended, while absolute rent was the state's, differential land rent was one's own, and the peasants' actions gradually tended towards the long-term and rational. In rural reforms, the family has replaced the production team as the operational unit, while land contracts have replaced work-points. Thus there has been a complete restructuring of the microeconomic base. This is where its success lies and is also its major experience.

The urban reforms are far more complex than the rural reforms and far more difficult. The 3d Plenary Session of the 11th CPC Central Committee took a decision that there should be an appropriate separation between the ownership of an enterprise and the right of operation. However, an effective form by which this separation can be realized has not yet been found. During the practice of the reform of the urban economic structure, people have come to gradually recognize that with assessment based on growth of the base, and equal distribution within each enterprise, there is no horizontal comparisons between enterprises or social evaluation. This inevitably results in the fast oxen being whipped and there being no clear division between rewards and punishments. Some have even implemented director responsibility systems, but if the integration and increase of the enterprise's assets are not included in the goals for the period of tenure, the responsibility system will be a mere formality. Thus, we must take assets into consideration when assessing enterprises. International experiences also show that in a modern commodity economy the assets earning method allows that, after ownership and operation rights are separated, the interests of the owner (or the legal owner) are guaranteed, and also provides the operator (or economic owner) with a form which allows full activity over a wide area. Thus, the reform of the urban economic structure must be based on the special patterns of urban reform, must center round assets as the core, and reconstruct the cells of microeconomic activities--enterprises.

2. Asset Operation Responsibility Systems

Proceeding from the property relationship, and thoroughly resolving the problems of soft restrictions and big pots in socialist enterprises is an issue which up to now socialist states have not resolved or even correctly addressed. The asset operations responsibility system which is a summary and refinement of the practice of China's economic structural reforms, is only a breakthrough in the right direction, and is far from being a final answer to this question.

The asset operations responsibility system includes the three basic components of asset assessment, income-sharing and operational responsibility. Assets assessment is the carrying out of market-simulation and social assessment of the enterprise assets formed through state investment decision-making. The aim is to resolve the contradiction of deviation between the actual effectiveness and the nominal value of existing assets. The method is: 1. An appraisal of existing enterprises assets is made using net asset value as the main yardstick. Those enterprises in which, due to early investment decisions and other factors, the actual value of the assets seriously deviates from their net value, can revise their fund profit rates and equipment utilization rates, which have existed for many years within that enterprise. As to that machinery and equipment which have a replacement value, then it is possible to calculate solely on the basis of replacement value, and gradually combine asset assessment with the engagement of enterprise leaders through tendering. 2. After all newly-added assets formed through state investment have been assessed, they will, through tender, be taken on by the enterprise and the investors will receive the income from, and take on the risks of, investment. The newly-added assets formed through investment decided on by the enterprise will be entirely counted as the enterprise's state-owned funds, while the loss or profit resulting from the difference between the nominal cost and the actual cost will be taken on by the enterprise. 3. The assets assessment must be combined with the transformation and reorganization of the enterprises' organizational forms. During the assessment, the state must use a fresh method of rewards and punishments to foster specialized enterprises and enterprise groups, and enterprises which meet the economic demands, as well as readjusting the scale of enterprises and coordinating their structures. Income-sharing refers to the state's unconditional legal ownership of state funds and their added value. On this basis, the income from all state funds will be divided. Its contents are: 1. The unified profit rates set down for all enterprises to hand over will be the state's stable share of income. Before the reform of the pricing system is completed, the state can stipulate different rates of sharing for different industries. 2. The state's rate of profit share should be revised periodically in accordance with changes in profit rates for funds in society (or industry) and should be a major means of regulating the macroeconomy. 3. The state's share of the profits is in essence profits derived from funds, and should have a certain elasticity, in order to accord with the risks undertaken by the enterprise operators and the situation in the investment cycle. However, when an enterprise delays handing over part of the profits, then interest should be paid thereon. It may also be necessary to detain the enterprise's funds (for example, the depreciation, bonus, and welfare funds), and to return them only after the enterprise has handed over the profits. Operational responsibility refers to regulations in terms of the rights and responsibilities in using assets after the assets assessment and the sharing principles have been established. It includes: 1. The appointment and dismissal of enterprise leaders. Their incomes must be linked up with the results of the operation of assets. 2. Enterprises will have autonomy in the use of funds, and will be able to independently decide on the investment direction of the enterprise's accumulation funds. They will also be able to sell off existing assets. However, the increased value of the assets resulting from changes in the assets replacement value should be recorded in the account for state-owned funds. 3. Abolition of regulatory tax system and of credit repayments before paying tax. As to those enterprises which can completely realize their profit accumulation, but cannot guarantee the state's income share, then in accordance with previously stipulated procedures, the enterprises' bonus and welfare funds will be used to offset the amount. They might be forced to hand over depreciation funds, or wage funds could be deducted. The enterprises might even be ordered to reorganize, merge or transfer.

After the asset operation responsibility system is implemented, the government's economic management function will have to undergo appropriate readjustments.

It may be possible to establish, under the Ministry of Finance, a State Asset Management Bureau. The right of the state to directly interfere with state-owned funds will be centralized in the asset management departments. All levels of asset management departments will be fully responsible for the integration, increase of, and income from, assets. They will also have the final decision-making power in respect of the employment and dismissal of enterprise leaders. The security of assets and their earnings rates will be decided on by unified standards in the assets management system. It may also be possible to consider setting up asset management departments on the basis of economic regions, and they may then entrust the assets they manage to enterprises, enterprise groups or specialized investment companies to operate. Overlapping and competition between operations will be permitted. The asset management departments will be responsible to the financial departments and will be supervised by them. In order to link up with the existing system, division of work can first be carried out at the various levels of existing management departments. One side will be responsible for administrative matters and industry management, while the other side will be specifically responsible for the management of assets. In accordance with the asset operations situation, the appointment or dismissal of the enterprise leaders will be decided upon. Later, the various regional asset management department departments will be gradually merged. Because of the fluidity, compatability and expansiveness of asset property rights, the asset managers and operators will, internally, be able to cross the restricting borders imposed by divisions between departments and regions. In this way, we can look forward to establishing, with financial relationships as the link, a new conduction mechanism and a new standard for effectively conditioning enterprises' activities.

The main functions of the assets operation responsibility system are: 1) Through asset appraisal and tendering, the umbilical cord by which enterprises are attached to the big pot of the state will be cut. 2) Assets earnings will be the only yardstick for handling the distribution relationship between the state and the enterprises, and will stabilize the enterprises' activities. 3) It will reduce investment starvation. The root of investment inflation is unpriced assets and the uncompensated use of assets. The asset operation responsibility system will clarify the state's share of an enterprise's post-tax profits based on the enterprise's use of assets. Thus it will provide a firm measure by which to avoid investment hunger. 4) The security, rate of added value and the amount of income from assets will be used as selection criteria, and will provide an important standard in the assessment of entrepreneurs. This will result in entrepreneurial dedication, the spirit of blazing new trails and the profit motive being unified with state interests. Thus, in fact, changes in economic conduction mechanisms will result in state-owned assets having dependable representatives, and a calm and collected revolution will be carried out in the system of appointment and dismissal in the spheres of economic activity. 5) It will fix economic responsibility. The major flaw in previous responsibility systems is that they overlooked the enterprises' most basic responsibilities in respect of assets. Through the correct and unerring yardstick of fund profit rates, the asset operation responsibility system decides questions about enterprises' development and existence. This will result in the income of entrepreneurs, and staff and workers, being linked, to varying degrees with fund earnings, and will concretely manifest the enterprises' operational responsibilities.

The more long-term significance of the changes resulting from instituting the asset operation responsibility system is that the activity motives of the reconstructed microeconomic organizations will cause the enterprises to shift from trying to use the greatest share of resources, to trying to realize the greatest income from their resources. This will allow socialist enterprises to act in the best possible way in market movement. The asset operation responsibility system means that competing socialist enterprises, if they are to maximize their total earnings, will have to readjust the two aspects of input and production, so as to really achieve a level where marginal income is equivalent to marginal costs. This will guarantee that this level will stabilize in the areas where average costs are lowest. At the same time, by using a unified yardstick for the general profit rate in society, it will allow enterprises to completely shake off the bonds of planned production value and contracts for profits. It will at once, greatly spread out the level of retained profits in different enterprises within the same industry. This will promote the flow of funds from low to high effectiveness areas. This will create material conditions for advanced enterprises to speedily develop and annex others, while backward enterprises will wither and be reorganized. It will thus provide a base for the rationalization of microeconomic activities.

In order to better understand the function of changing the property relationships, and its position in the system of economic structural reforms, it is necessary to discuss the following related questions.

1. The asset management responsibility system and enterprise bankruptcy. Enterprise bankruptcy is the result of an enterprise being unable to meet its liabilities on time, and being unable to reschedule them. It is possible for a bankrupt enterprise to temporarily remain a profitable enterprise. Enterprises with potential may, after incurring losses, lose their capital but still not go bankrupt. Bankruptcy and enterprise losses are not equivalent concepts. The asset management responsibility system will allow the state, in a situation where there are no obstacles to the integration and increased value of assets or income, and there are no anxieties about prospects, to shift assets and avoid losses, in accordance with stipulated procedures. This is something a bankruptcy law will not be able to achieve. At the same time, the asset management responsibility system severs the relationship between enterprise operation and state investment decisions, and clearly delineates the boundaries of enterprises' asset relationships. More particularly, it provides an indication of whether enterprises' asset operations are good or bad, and creates conditions for handling bankruptcy in socialist enterprises.

2. The asset management responsibility system and the issuing of enterprise shares. The idea of implementing a system of share issues in a socialist state has, on the theoretical plane, provided people with much enlightenment. However, the issuing of enterprise shares and the external forms of our nation's current ownership system deviate greatly from each other and cannot be easily joined together. Thus, in actual life, it has not played a great role. At the same time, the share issue system is the general organizational form in modern western economies. If this system were to be transferred to a socialist nation, then great changes would be necessary both internally and externally. The comrades who propose this also have greatly differing ideas. If the

issuing of enterprise shares requires changing the leading position of state-owned economic components in the economy, then it is intrinsically different from the asset operation responsibility system. If the issuing of enterprise shares is intended to give different economic components a common external form, then it is only half a step away from the asset management responsibility system. This is because the latter opens the door for fund flow between enterprises under different types of ownership.

3. The asset management responsibility system and leasing. The asset management responsibility system is a special form of division between the state and enterprises in terms of the ownership and right of operation of assets, and between legal ownership and economic ownership. It is basically different from leasing. In leasing methods, the state actually hands over to the lessee economic ownership of the assets for a certain period. The latter is then responsible for the profits or losses of the enterprise. If an individual (including a factory director) leases the enterprise, there is no problem being responsible for profits. However, if the enterprise really incurs losses or suffers reduced income, the individual lessee will be completely unable to fully compensate for the losses. This asymmetry between rights and obligations is the economic root of why society looks askance at lessees obtaining high incomes. In the employment of enterprise leaders under the operation asset responsibility system, they are seen purely as operators. The income of enterprise leaders will not be like that of the peasants who "hand over what is required to the state, leave what is necessary with the collective and keep for themselves whatever is left over." Rather, it will be something which is decided on by the assets management department. This is consistent with the general trend towards separation of the two rights under modern production conditions (where operators are neither legal owners or economic owners) and customary practices.

4. The asset management responsibility system and the fund market. The functions of these two are different. The former resolves the problem of uncompensated funds within the enterprises, while the latter resolves the problem of the price of funds obtained externally by the enterprise. The former provides internal motive force for the external flow of enterprise funds, while the latter provides more unobstructed external conditions for this flow. Further, a complete fund market mechanism can only play a regulatory role in respect of the resources flow and will have little effect on the forms of resources storage. The latter forms a strong absorption mechanism: Uncompensated stored funds greatly engulf and assimilate flowing funds. However, all the preferential treatment and soft restrictions in terms of taxes, interest rates and credit repayment are certainly not just like dust which one can nonchalantly flick away. Rather, they are natural extensions of the gigantic storage function. Seen from another angle, only when key market-distributed resources depend on the conditional variables provided by enterprises in respect of the productivity of the key factors, will market allocation and regulation be realized. Capitalist economies developed, over several centuries, from the first appearance of shares to the common issue of shares, and then to integrated financial markets. In this sense, an asset operation responsibility system, or a more general system of establishing a relationship in terms of earnings by an enterprise's assets, is an historical and logical precondition for the development of a financial market.

5. The asset management responsibility system and the adjustment of the industrial and enterprise structures. In a modern economy, the industrial structure changes very quickly, and the scale and structure of enterprises is also often changing. On the one hand, there are small enterprises being produced continually and being divided and going in different directions, while on the other hand large enterprises are dividing and merging. The reason the economic structure can continually move in accordance with market, technological, and economic demands, has, as a background, the flow of funds (including enterprise asset storage), and is because asset property rights are continually being rearranged and reorganized. Both our industrial and enterprise structures are irrational, but this cannot be changed, because once funds flow into enterprises, they solidify. If this problem is not resolved, then the overall economy will be in difficulties, and there will be no hope for the development of specialization or horizontal economic relationships. The key to breaking through this deadlock is to establish a system of assets-earning, so that enterprises will seek profits from funds. In this way, the innate system of balance within the economic structure can be mobilized. Although pricing reforms can start the process of self-adjustment of the industrial structure, if we want the industrial structure to draw close to the demand structure, and particularly to realize the rationalization of the enterprise structure (including alignment of scale and of specialized coordination), the only way is to rely on the flow of asset property rights and on reorganization.

6. The asset management responsibility system and macroeconomic management and control. The former provides a necessary microeconomic base for the latter. In the process of streamlining administration and handing down power, the reason the old administrative methods and mechanisms cannot be "streamlined," apart from the inertia and resistance of the traditional systems, is the abnormal activities of the microeconomic organizations. By proceeding from the asset operation responsibility system in correcting the activities of the microeconomic organizations, many administrative organizations and functions will lose their basis of existence. At this time, the obstructions to further sorting out and reforming the administrative organs will probably be quite small, and then it will finally be possible to achieve flexible, light and highly effective macroeconomic management.

7. The position of the asset management responsibility system in the historical process of reforming the economic structure. The asset management responsibility system (or other forms of asset management and earnings systems) is the take-off point for the economic system in rebuilding property relationships from the old to a new model. The links of the qualitative change involve: 1) A simulated social assessment of the inventory assets formed under the traditional economic system. This assessment cannot be carried out in the market, but neither can it be artificially determined completely divorced from the market. 2) The yardstick of profit margins determined by horizontal commodity economy links will replace the system of vertical distribution (including vertical profit growth). Also, the asset operation responsibility system is a transitional link, connecting what went before and what comes after in the overall process of reform of the economic structure. It is an historic intermediary, as the economic system moves gradually towards excellence.

3. Renewed Readjustment Through Having Distribution Stimulate Structural Reform

Forms of distribution and distribution relationships are manifestations, on the economic level, of ownership systems. Therefore, a structure with microeconomic ceels which do not have fixed divisions based on distribution relationships is incomplete. The asset operation responsibility system can set down external boundaries in the asset relationship between an enterprise and the staff and workers. Here are a few points and ideas on this seen from the angle of first stage urban reforms.

From 1978-1984, if we ignore price rise factors, the average per-capita income of the nation's urban population rose 22.3 percent, while the average income increase across the nation was 25.3 percent. However, at the same time as the people's standard of living in both urban and rural areas across the nation has risen in a sustained and marked way, the phenomena of individual incomes being unequal has occurred in many economic activities, and this has angered some people. This, it seems, cannot exceed expectations. It is also clearly a trifle stupid to explain this by saying that the dramatic changes in relative income levels gave rise to this social mentality. Relative changes in the economic income structure clearly can result in people having difficulties adjusting. However, if these changes are regulated and accord with the basic interests of the majority of people, people will be gradually calmed as the period of readjustment continues. If on the contrary, these changes are without order, or the inherent opportunities are clearly unequal, the complaints will accumulate and they may eventually give rise to prickly social problems.

The Flow of Labor in China.

Possibly, a basic measure for resolving the above problem, is the free flow of labor. Seen from the situation in the various countries of the world, a labor flow of approximately 15 percent will not normally bring about fluctuations in the economy, and has the benefits of clearly raising laborers enthusiasm for work, spreading technological skills, changing the situation of work being too specialized, and increasing productivity. However, like other socialist countries which have implemented traditional systems, the manifestations of China's labor flow are different from the rest. The labor force elements have strange characteristics. These are that their lack promotes labor flow (the obstacles to retrenched staff are few and the choices of workers are quite numerous) while their surplus obstructs labor flow (the staff reserves can, to a large degree, satisfy the demands made for changes in the labor force). This, we are afraid, has already become a very common situation in the labor flow of the Soviet Union and East European countries. It is also the basic reason why even now, it is difficult to have labor flow among the urban population in our nation. Seen from this angle, the establishment of a labor flow mechanism will perhaps be an added difficulty in China's economic reforms. If we consider the following two points this is even more so:
1) Considering the congealed nature of labor flow in China's cities, the labor flow will practically have to start from nothing. The danger of marginal labor flow is that it allows those lucky few who can change jobs to obtain especially favorable rewards. This produces strong contrasts and social repercussions and amplifies the role played by labor flow. 2) The flow of labor is related

to certain social, economic, cultural and mental factors. Thus, its trend of development has certain qualities which cannot be opposed. China is a developing country and at present, in promoting labor flow, we can travel in various directions and feel a little hesitant. According to current international statistics, the relationship between the rate of labor flow and labor cost is not clear. For example, in various countries where the degre of labor flow is quite high, the increase in money wages is quite rapid (for example, in Yugoslavia). Conversely, in some countries where labor flow is quite low, the cost of wages as a percentage of the total cost of commodities is quite low (for example, Japan over quite a long period). These different considerations compel us, when promoting the flow of labor, to be very careful to avoid stimulating the rise of labor costs.

Further, in the traditional system, rural residents, who constitute over 80 percent of the total population, have since the founding of the country, had the power to change jobs, and in many urban enterprises there has always been a sizable number of peasant workers. These facts show that in China the potential for labor flow, from beginning to end, lies in using a dual system. Since the beginning of economic structure reform, the pace of the flow of labor towards the cities has greatly increased, and this has played a positive role in economic development. However, in the cities where there still exists the situation of great numbers who are in jobs but under-employed, and especially under the role of the rigidity of the urban population's standard of living brought about by historically-created disparities between urban and rural life, as rural labor flow to these cities is generally for the purpose of obtaining higher income, we must it seems, face the dilemma of a great increase in the overall amount of consumption funds, or a large amount of unemployment among the urban population.

In addition, China's urban labor flow still has a number of specific problems. According to investigations, the present areas in society where the flow is most pronounced are among high-technology workers and experts, and among unskilled workers whose professional and social appraisal is quite low. The flow of these two types of people will indeed put pressure on income to move upwards. As to workers in the middle levels where the number of workers is great and the tendency to flow rather weak, if we are to have them flow then we need to adopt compulsory staff reduction measures. This must await the establishment of a complete social security system. At the same time, while the benefits brought by the reform of the economic system itself do not have the unconditional support of the people, whether the adoption of those measures which elicit strong social reaction is prudent, is worthy of study. In any case, from now on, on the basis of gradually transforming and perfecting a social security system, instituting a system of reasonably short employment contracts for all newly-added urban employees and, as conditions become ripe, unobtrusively and gradually reducing the amount of fixed employment and replacing it with contract employment, so as to achieve the flow of labor, seems to be quite in accord with our national conditions.

Using Distribution To Stimulate Structural Reforms.

The three basic differentials between enterprises--product price, economic and geographical environment, and the extent of assets used--have not been, and cannot be, quickly eliminated. Thus, while income from various non-labor production factors has not been separated from the enterprises' operational income, there will be no distribution and stimulation method which can be universally implemented to achieve "rewards according to labor," or which is in accordance with "rational principles." Further, as long as the important factor of labor is still unable to flow freely, any method which directly links up individual income and the results of enterprise operation, or other methods which space out the differentials between individual incomes will inevitably contain serious social unfairness. International experiences have shown that any rash act in respect of the distribution of individual incomes may reverse the overall reform process. Thus, changing the major train of thought of the early reform period which held that differentials in individual income distribution should be expanded, is a basic link in striving for the overall initiative in economic structural reforms.

It seems that in the first stage of the urban economic reforms, it is perhaps appropriate to get rid of the method which links an enterprise's wages with results, and restore strict controls on enterprise wage funds and other consumption expenditure. Also, except on a small number of clearly delineated bonuses for economizing, there should be a high-speed progressive bonus tax for strictly controlling enterprise's bonuses. In respect of all income, apart from resident's wage income, we can immediately implement individual income tax with a low cut-in point and high-speed progression (we can exclude the social insurance portion). This will force the reduction of excessively high individual incomes. Adopting this method of going backwards in order to advance in the individual income area, can eliminate for the reforms in other areas, the fear of trouble at the rear, and they will be able to progress with great steps. As the overall reforms are pushed forward, the reform of the individual income area will easily follow.

The major basis for discarding individual income distribution is that the modern individual is not generally the main part of production and operations. Individual labor must melt into enterprise aggregate labor, as only thus can it become a source of social wealth. The first of the economic development motive problems which the economic reforms must solve is enterprise or entrepreneur motive. That is, an enterprise with high rates of profits will have much in production funds. The enterprise can thus quickly expand, its market share will grow and the scale of the enterprise will increase. Those enterprises with low profit rates will have few or no funds. Thus, the enterprise will be stopped, will wither and may even close down. For a time, we have given too much attention to the relationship between the income of the ordinary workers and the enterprise results. There is no ratio between the rate of profit realized by an enterprise and the profits it retains. In many cases, various enterprises which produce the same type of product, but have different production costs, retain about the same amount of profits. This results in mutual suppression and no one can progress. However, because of exemplary efforts and emulation factors, workers retained profits and workers' average bonuses are daily becoming more equal.

In motivating the production enthusiasm of individuals, we must still proceed from basic wages. The major reason the masses are not content at present, apart from incomes being unequal, is increased costs. Greater bonuses also give the people a feeling of undependability, but the bonuses are only given to some people. However, the shouldering of price rises firmly falls on all people. Thus, it is necessary, on the basis of the degree of price rises, to give staff and workers wage compensation. In supplying compensation, and in raising actual wages, a system of general wage readjustment for all staff and workers can be adopted. Our nation's experiences in the 1950's show us that when actual wages increase in a universal and stable manner, people are vigorous and zealous, and this is of benefit to economic development and social stability.

Actually, in future target models, it appears that workers' income cannot be completely linked up with the great fluctuations in profits. This is because, despite the fact that bonuses and an enterprise's profits are closely linked, as far as workers are concerned, bonuses are only a highly uncertain short-term income. Thus, these bonuses only stimulate workers in short-term actions. The staff and workers are more concerned with the position and development prospects of the enterprise, as well as their individual position, duties, the degree of confidence placed in them and even their opportunities for promotion. The improvement of the quality of an enterprise depends on the quality of each worker, and primarily depends on the improvement of their technological levels and their operational capabilities. Thus, the major avenues for motivating individuals in their long-term activites is to strengthen the relationship between the development prospects of the enterprise and individual benefits, and by generally implementing a system of work assessment and promotion. Separating the operator's benefits from the general benefits of the staff and workers is another thread in the reforms at the submicroeconomic level. In the practice of the traditional system, hypothetically it was all workers who had the spirit of masters and they were all directly responsible to the state. As this departs from the reality of the current socialist period, the results in practice were not good. Giving operators an appropriate position and necessary rights and interests is an inevitable trend in economic reform. However, given the background of China's long period of feudal society and the infiltration of the ideas of privilege, in the early period of reform, we should not abruptly increase the differentials between the incomes of operators and ordinary staff and workers. Much less can we give operators the right to reward and penalize themselves. The major measure for stimulating operators, that is the entrepreneurs, is to link their destiny with that of their enterprise, so that the success or otherwise of the enterprise and the individual interests of the entrepreneur are both determined by the situation in the operation of assets. If the asset operation is good, the enterprise will develop quickly, a small enterprise will become a large enterprise, and a small entrepreneur will become a large entrepreneur. If the reverse is the case, the enterprise will be closed down and the entrepreneur will lose his position. It may also occur that in accordance with the stipulations of the entrepreneurs' association, he will not be able to take on a new post within a certain number of years. At the same time, we must implement a dual-channel system for income. That is, the bonuses of the enterprise leaders and the current income of the enterprise should be unhooked from the workers' reward funds. Meanwhile, the entrepreneurs income will be decided upon by the asset management department in accordance with assets' earnings and the tapping of latent potential. This will foster a devotion and a sense of honor among the entrepreneurial strata and gradually form socialist China's entrepreneurial contingent and entrepreneurial spirit.

The question of income distribution in publicly-owned enterprises has three key links: 1. The fixing and changing of basic wages. This problem has been discussed above. 2. The total amount of profits to be retained by enterprises. This will be decided on in accordance with the profit (rate) achieved by enterprises through reforms of market movement mechanisms and the asset operation responsibility system. 3. The proportions of profit retained by the enterprises to be used in accumulation and in consumption. At present, there is a unified proportion stipulated by the state, and then bonus taxes are levied. After the asset operation responsibility system expands the differentials between the total retained profits of various enterprises, this expedient measure should not be used at all. A feasible method is, in accordance with the ratio between funds used by the enterprise and its wage funds, to appropriately divide the enterprises' retained profits into accumulation and consumption funds. The total amount of profits retained will be determined by the profits, while the consumption funds of the staff and workers will also be stipulated in accordance with internal proportions. This will form dual regulation, and thus if an enterprise wants to increase the individual consumption of its staff and workers, it will either have to expand the amount of profits realized or reduce its use of funds. In this way, we can look forward to income distribution with balanced production factors, which will finally lead to the rationalization of enterprises' activities.

The train of thought on reform put forward in this article is only a hypothesis, untested through practice, and is certainly not the final answer to the problems. The aim is to try to get people to pay further attention to, and engage in, further research on the major questions of economic structural reforms, and their relationships and sequence, as this will help in achieving real progress in the structural reform of China's economy.

(Authors remarks: Comrades Zhou Qiren [0719 0366 0088], Ji Xiaoming [0679 1420 2494], and Peng Zhaoping [1756 3564 1627] provided very valuable ideas on an earlier draft of this article.)

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HEBEI VICE GOVERNOR ON SEVENTH 5-YEAR PLAN

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["Report on the Seventh 5-Year Plan for the Hebei Provincial Economic and Social Development," delivered by Vice Governor Li Feng at the Fourth Session of the Sixth Hebei Provincial People's Congress on 25 April]

[Text] Fellow deputies:

Entrusted by the Provincial People's Government, I now submit a report on the Seventh 5-Year Plan for the Hebei Provincial Economic and Social Development for examination by the present session.

It took us more than 2 years to draw up the province's Seventh 5-Year Plan. On the whole, the drawing-up of this plan can be divided into three stages. At the first stage, from February to August 1984, in line with the magnificent goal set forth by the 12th Party Congress, we organized the departments and specialists concerned to discuss the provincial situation and the strategy for development, and to draw up the strategy for the economic and social development by the end of this century. At the second stage, from September 1984 to September 1985, on the basis of the discussion on the provincial situation and strategy and in line with the plans of various prefectures, cities, and departments, we conducted investigations and studies, analyzed the situation on the economic and social development, summed up the historical experiences, emphatically studied the major problems which should be solved during the Seventh 5-Year Plan period and the ways to solve these problems, draw up the outlines of the Seventh 5-Year Plan, set forth the guiding ideology, major tasks, fighting goals, strategic priorities, economic distribution, and countermeasures for the Seventh 5-Year Plan, and designed the frame of the overall ideas. At the third stage, from October 1985 to April 1986, in accordance with the "Proposal of the CPC Central Committee for Drawing up the Seventh 5-Year Plan for National Economic and Social Development," we revised the outlines of the Seventh 5-Year Plan, conducted overall balancing, and drew up the (draft) Seventh 5-Year Plan.

The (draft) Seventh 5-Year Plan, submitted to the present session for examination, has already been printed and distributed to you. Here, I will make some explanations of the implementation of the Sixth 5-Year Plan, the basic tasks for the Seventh 5-Year Plan, the economic structural reform, and the several points of work necessary for achieving the Seventh 5-Year Plan.

1. Implementation of the Sixth 5-Year Plan

During the period of the Sixth 5-Year Plan, our province conscientiously implemented the CPC Central Committee's principles of "readjustment, restructuring, consolidation, and improvement" and "invigorating the domestic economy, and opening up to the outside world," thus achieving great results in the national economy and on all fronts. Most of the tasks and targets formulated by the Sixth 5-Year Plan have been fulfilled or overfulfilled, and profound changes have occurred in our economy and society.

During the Sixth 5-Year Plan period, the province's national economy has developed in a sustained, steady, and coordinated manner, and the economic efficiency has raised somewhat. In 1985 the province's total social product amounted to 7.346 billion yuan (calculating in terms of the present price), an average annual growth rate of 9.6 percent (calculating in terms of the comparable prices). Of this, the total agricultural output value (excluding rural industries and the industries run by units below the village level) came to 1.646 billion yuan, an average annual growth rate of 10 percent, and greatly surpassing the average annual growth rate of 1.3 percent during the Fifth 5-Year Plan period. The total industrial output value (including rural industries and the industries run by units below the village level) was 4.297 billion yuan, an average annual growth rate of 10.6 percent which was higher than the rate of 8.7 percent during the Fifth 5-Year Plan period. The national income was 3.294 billion yuan, showing an average annual growth rate of 9.8 percent, surpassing the rate of 8.3 percent during the Fifth 5-Year Plan period. In the first 2 years of the Sixth 5-Year Plan period, the financial revenues paced up and down, but in the latter 3 years, it has witnessed a steady increase. In 1985 the financial revenues amounted to 4.515 billion yuan, an average annual increase of 5.2 percent. This indicates that our province has already basically fulfilled the task of effecting a fundamental improvement in the financial and economic situation. The proportions and relations between the major sectors of the national economy became more rational, and the accumulation rate dropped from 33.2 percent during the Fifth 5-Year Plan period to 30.4 percent. The structure of agriculture, light industry, and heavy industry was improved somewhat. The proportion of agriculture in the total dropped from 29.1 percent in 1980 to 27.2 percent in 1985, that of light industry dropped from 32.8 percent to 35.1 percent, and that of heavy industry dropped from 38.1 percent to 37.2 percent. The tertiary industry developed rapidly and its proportion in the gross national product rose to 21.3 percent. Along with the coordinated development of the economy, economic efficiency also increased to some extent. In 1985 the province's per-capita income was 597 yuan, increasing at an average annual rate of 9.8 percent, and approximately doubling the average rate of 5.3 percent in the previous 28 years (from 1953 to 1980). In 1985 the local budgetary industrial enterprises made simultaneous increases in output value, profit, tax, and financial income. The social labor productivity reached 1,345 yuan, showing an average increase rate of 6.3 percent, and 2.8 percent higher than the average annual rate in the previous 28 years. The utilization rate of the whole people-owned fixed assets rose from 68 percent during the Fifth 5-Year Plan period to 82.2 percent. The national income newly added from every 100 yuan of accumulation increased from 33 yuan during the Fifth 5-Year Plan period to 40.7 yuan. The energy consumption for each 10,000 yuan of national income dropped from 18.7 tons in 1980 to 16.1 tons in 1985, saving a total of 6.3 million tons of standard coal in 5 years.

During the Sixth 5-Year Plan period, profound changes occurred in the province's rural economy. In 1985 the total social product in the rural areas of the province amounted to 3.109 billion yuan, doubling the 1980 figure, and its proportion in the total social product rose from 36.3 percent to 42.3 percent. In the past, the province's agriculture has developed slowly. From 1953 to 1980, the grain output increased by only 268,000 tons annually on an average. From 1965 to 1980, the cotton output stagnated for a long time. Thanks to the implementation of the guidelines of the documents issued by the central authorities, the enthusiasm of the large number of peasants has been fully mobilized; the development of agricultural production has been promoted; and the output of grain and cash crops increased substantially. In 1985 the gross grain output was 19.666 million tons, up 29.2 percent over 1980. Despite the reduction of growing acreage and the hit by natural disasters, the output of cotton still reached 629,000 tons, 2.5 times that of 1980. In 1985 the total output of oil-bearing seeds reached 869,000 tons, about 2 times that of 1980. In the past 2 years, our province has been sufficient in grain, and more than sufficient in cotton. This is an event of great significance in the province's history. In 1985 the output of dried and fresh fruits reached 1.653 million tons, up 95.6 percent over 1980. What is gratifying is the comprehensive increases in agriculture, forestry, animal husbandry, sideline production, and fishery during the Sixth 5-Year Plan period. In the total agricultural output value, the output value of the cropping industry increased at an average annual rate of 9.3 percent; that of forestry, 10.9 percent; that of animal husbandry, 15 percent; that of sideline production, 6.1 percent; and that of fishery, 5.3 percent. The proportion of forestry, animal husbandry, sideline production, and fishery rose from 21.6 percent to 24.2 percent. Town and township enterprises have developed rapidly, and have already become an important mainstay of the province's rural economy. In 1985, the output value of the rural industry, the building industry, the transport industry, and commerce reached 14.63 billion yuan, and the proportion of the rural industry, the building industry, the transport industry, and commerce in the total rural social product reached 47.1 percent. New headway was made in land reclamation undertakings. All the 32 state farms in the province made a profit. In 1985 these state farms netted a total of 43.5 million yuan in profit.

Certain results were achieved in supporting the poor in the rural areas. During the Sixth 5-Year Plan period, the province allocated a total of more than 170 million yuan in relief funds, and 430 million yuan in supporting-the-poor funds to help some 552,000 poor households, of which more than 372,000 households eliminated poverty, and had sufficient food and clothing.

During the Sixth 5-Year Plan period, our province strengthened energy, communications, and raw material industries, thus increasing the strength for economic construction. Throughout the province, the investment in the fixed assets of state-owned enterprises totaled 22.85 billion yuan, of which 6.85 billion yuan went to energy industrial enterprises, showing an increase of 2.72 billion yuan or 60.3 percent, over the Fifth 5-Year Plan period. This investment helped to increase the power generating capacity by 1.27 million kilowatts, the coal production capacity by 7.96 million tons, the petroleum production capacity by 1.7 million tons, the oil refining capacity by 800,000 tons, the power transmission lines of more than 110,000 voltage by 2,080 km, and the power transformation equipment of more than 110,000 voltage by 3.67 million kilo-volt ampere. The investment of communications, transportation, and postal and telecommunications departments totaled 1.71 billion yuan, an increase of 630 million yuan, or 58.3 percent, over the Fifth 5-Year Plan period. During the period in question, 492 km of railways, and 879 km of roads were built, and the cargo handling capacity of the Qinhuangdao Harbor increased by 35 million tons. Investment in the building material industry totaled 1 billion yuan, an increase of 720 million yuan, or 360 percent, over the Fifth 5-Year Plan. This helped to increase the cement production capacity by 2.814 million tons, and the plate glass production capacity by 3.37 million weight boxes [zhong liang xiang 6850 6852 4360].

Our province witnessed new development in education, science and technology during the Sixth 5-Year Plan period. Attaching strategic importance to the development of education, science and technology, governments at all levels strengthened leadership, and increased investment in it. Education funds increased every year. During the period in question, they totaled 2.753 billion yuan, 81 percent more than in the Fifth 5-Year Plan period. Newly added student seats totaled 490,000, the number of colleges and universities grew from 30 to 50, and that of secondary specialized schools from 117 to 271. The number of students studying at local higher educational institutions (including those attending adult education courses) increased by 1.1 times, those studying at secondary specialized schools grew by 80 percent, and those studying at agricultural vocational schools increased by 3.51 times. A total of 190,000 people graduated from universities and secondary vocational schools, increasing by 45 percent over the Fifth 5-Year Plan period. During the Sixth 5-Year Plan period, 852 scientific and technological projects were undertaken, of which 766 were completed, yielding more than 780 million yuan of benefit. During this period, 1,797 scientific and technological achievements at the provincial level were scored throughout the province. Of them, 15 won the state invention award, 51 won the scientific and technological progress award, 12 won natural science award, and 46 were commended by the province or ministries. More than 68 percent of the scientific and technological achievements were applied. New progress was made in the development and application of microcomputer, bioengineering, and others. More than 40 achievements were scored in the study of the development of Taihang Shan. Of them, 16 reached advanced domestic and world levels. A new way to develop mountainous areas and help them achieve prosperity was explored, which was commended by the State Council. Notable results were achieved in opening up technology market. In 1985, the province organized scientific and technological trade on more than 2,100 occasions, with the total transactions reaching 590 million yuan.

During the Sixth 5-Year Plan period, our province increased the number of circulation channels, expanded the circulation spheres, and witnessed a thriving urban and rural market situation. The total number of urban and rural trade fairs throughout the province reached 2,477, an increase of 722 over 1980. Some 139 large trade markets were built. All provincial industrial goods wholesale centers were decentralized to cities and some 53 new trading centers of various forms were built. More supply and marketing cooperatives at all levels are being "run by the people," instead of the government which used to run them. A number of specialized service organs were established and some serialized service models emerged. Capital goods markets as well as technological and banking markets began to emerge. The retail sales of commodities rose substantially. If the price rises are factored in, the actual increase of total value of commodities purchased by the province's state and cooperative commercial units in 1985 was 54.3 percent over 1980. The total retail sales of social commodities showed an actual increase of 67.9 percent. The retail sales of commodities of the state, collective, and individual commercial units increased by 64.3 percent, 53.7 percent, and 24 times respectively over 1980, thus initially forming a circulation system characterized by various forms of ownership, various operational methods, and various circulation channels.

During the Sixth 5-Year Plan period, the incomes of the urban and rural residents in the province increased and their livelihood improved. Some 1.482 million job-seekers in the cities and towns were provided with jobs and the unemployment rate in cities and towns dropped from 4.4 percent in 1980 to below 1 percent in 1985. Along with the development of production, the incomes of the urban and rural residents increased. The average per-capita net income of peasants throughout the province was 385 yuan in 1985, showing a total increase of 89.2 percent in 5 years if retail price rises are factored in. The average per-capita income of the urban residents for their living expenses was 677 yuan. If the retail price rises are factored in, the total increase in 5 years was 35.4 percent. The consumption patterns changed remarkably. The number of high-grade durable consumer goods owned by families increased every year. The total savings deposits of the urban and rural residents reached 10.29 billion yuan, an increase of 8.18 million yuan over 1980. The housing conditions of the urban and rural residents improved. Some 20.84 million square meters of urban housing were built. This is an increase of 39.5 percent over the Fifth 5-Year Plan period. The average per-capita housing areas rose from 3.6 square meters to 5 square meters. In 1985, the average per-capita housing areas used by peasants reached 15.4 square meters, up 25.1 percent over 1980. The quality of clothing and food of the people improved fairly greatly. Never before has there been such a big substantial increase in the livelihood of the people throughout the province in a short span of 5 years.

During the Sixth 5-Year Plan period, our province made gratifying strides in opening to the outside world and establishing lateral economic cooperation, and achieved great development in establishing friendly contacts with foreign countries and carrying out cultural exchange. Our province has established friendship city ties with nine states, counties, and cities in foreign countries. In 1985, the province's total export volume of foreign trades reached $1.298 billion, an increase of 110 percent over 1980, showing an annual average increase of 16.5 percent. Fruitful achievements were made in the two international economic and technological cooperation and the export commodity trade meetings. During the Sixth 5-Year Plan period, the province as a whole approved 125 contracts involving 329 million yuan, of which $76.2 million was foreign funds. The United Nations as well as other international organs provided gratis assistance and low-interest loans involving a total of $118 million. We received a total of some 5,064 experts, scholars and lecturers from foreign countries and some 193,000 foreigners, overseas Chinese, and compatriots from Hong Kong and Macao. As our province's window for opening to the outside world, Qinhuangdao City scored initial progress in developing economic and technological cooperation with foreign countries. Our province succeeded in gradually strengthening economic and technological cooperation with the fraternal provinces, cities, and autonomous regions. At the 1985 invitational meeting on carrying out economic and technological cooperation with different places throughout the country, the province signed agreements with other provinces, municipalities, and autonomous regions on carrying out 705 economic cooperation projects, and 410 million yuan of funds were brought in from other places. According to incomplete statistics of nine cities under the jurisdiction of the province, 1,083 lateral economic associations involving 8,391 enterprises of more than 230 cities and counties of 28 provinces, municipalities, and autonomous regions were organized. More than 7,100 production units throughout the province established cooperation ties with more than 4,300 universities and colleges, scientific research and designing units, and large factories and mines in and outside the province, and 1,970 associations for linking production with scientific research were set up.

Greater progress was made in tourism. Many famous tourist scenic spots in Qinhuangdao and Chengde were renovated and reconstructed. During the Sixth 5-Year Plan period, the province received more than 105,000 tourists from foreign countries, Hong Kong, and Macao.

During the Sixth 5-Year Plan period, our province made great progress in broadcasting, television, press, publication, culture, public health, sports and family planning work. The rate of TV and FM radio coverage reached 80.9 percent and 61.9 percent respectively. Ninety-eight percent of the total towns and townships in the rural areas established cultural centers. A large group of specialized households in the cultural field emerged. Greater progress was made in public health undertakings. Over the past 5 years, 910 public health and medical organs and more than 25,300 sickbeds have been newly added. The incidence of some infectious diseases and some frequently occurring diseases decreased. The incident of endemic goiter was brought under control. Greater progress was made in preventing and curing endemic fluorine poisoning disease. Thus, the people's health conditions improved notably, and the sanitary conditions in the urban and rural areas improved greatly. Along with the flourishing development of the mass sports activities, a group of excellent athletic and sports teams emerged. The province ranked third in terms of the number of gold medals won in the First National Youth Sports Games. This was a major breakthrough in the Hebei Province's sports history. The natural population growth rate of the province was 14.2 per thousand thanks to the implementation of the family planning work.

During the Sixth 5-Year Plan period, the task for reconstructing the areas in Tangshan City hit by the earthquake disasters was basically fulfilled. Over the past 5 years, a total of 2.5 billion yuan of funds were invested in rebuilding the disaster-stricken areas, and the residential areas totaling more than 11 million square meters of floor space were built. As of the end of 1985, 215,000 families involving more than 788,000 people moved into new houses. In 1985, the industrial output value of Tangshan City was 5.166 billion yuan (not including the output value realized by the industry at or below the village level), showing an increase of 75.7 percent over that of 1975 when there was no earthquake. The 1976 earthquake had turned Tangshan into ruins. But today, a new Tangshan which extends broadly is towering aloft on the banks of the Bohai Sea.

We basically attribute the achievements made during the Sixth 5-Year Plan period to the implementation of the line, principles and policies set forth since the 3d Plenary Session of the 11th CPC Central Committee, the ideological and political act in unison with the central authorities, and the prominent grasp of reform.

In line with the actual conditions of the province, cadres at all levels were called on to emancipate their minds, expand their view, and pioneer the road of advance. Simultaneously, we firmly eliminated the wrong theory of "taking the class struggle as the key link," got rid of the obstructive thinking of "taking the grain as the key link" and the self-supporting and semi-self-supporting economy, fostered an idea that the socialist economy is the planned commodity economy, and vigorously developed commodity production, thus laying an ideological foundation for ceaselessly creating a new situation of reform and construction.

In developing our work, we persistently gave priority to the reform. In line with the arrangements of central authorities, the rural areas made an important step in reforming the unified and fixed state purchases of farm products and in readjusting the rural production structure on the basis of implementing the output-related contracted responsibility system. Focusing on invigorating enterprises, the urban areas carried out reforms in the spheres of production, distribution, and circulation, thus expanding the autonomy of enterprises in management and intensifying the self-renovation and self-development capacity of enterprises. Having broken with the monopolized management, unified purchases, and guaranteed and planned distribution, and commercial departments gradually transformed their circulation system into an open and multi-channel system with fewer intermediate links. The multi-functional role of cities was gradually brought into play. At the same time, the province carried out reforms in the fields of market price, wages, finance, science and technology, and education. All these reform projects vigorously promoted the development of productivity. However, we are inexperienced in carrying out these reform projects. Therefore, in the course of reform, in particular at the stage of replacing the old systems with new ones, problems are hard to avoid. Those problems that occur in the course of reform can only be solved through reforms. We should enhance our understanding through constant explorations and practices in order to gradually perfect our reform projects. We should carry out reforms, enhance our understanding, once again carry out reforms, and once again enhance our understanding. Through such a repeated and deepening process, we can constantly enhance our understanding and continually develop the reform.

In guiding the economic work, we always adhered to the ideological line of proceeding from reality in doing everything and seeking truth from facts, paid attention to going deep into the grassroots units to conduct investigations and studies, gave different guidances to different cases in different localities and trades in light of their respective nature, corrected at all times the method of demanding uniformity in everything, and called on all localities and departments to make a conscientious analysis of their situation, to exploit their own superiorities, and to take their own road of becoming prosperous.

In terms of work methods, we emphatically guided the overall situation by the method of using the typical cases to lead the road. We summed up and popularized the Shijiazhuang City's experiences in carrying out the collision-and-rebound type and comprehensive reforms, and experiences of Langfang and Baoding Prefectures in conducting the extensive discussion entitled "Quadrupling the Output Value and Striving for Relatively Comfortable Standards of Living," the "three visits" experiences of Baoding Prefecture, Tangshan City's experiences in exploiting the cities' function, and Handan City's experiences in developing the lateral economic ties. The popularization of these typical experiences have greatly promoted the work throughout the province.

During the Sixth 5-Year Plan period, our province scored great achievements in reform and construction. But some problems and latent unfavorable factors still exist in our work. Major indicators are: 1) In the course of carrying out the economic structural reform, we have failed to make an overall planning, and our reform measures are incoordinated. In the second half of 1984, the overly rapid growth of the consumption fund and the overly large scale of capital construction emerged for a time. Although we expeditiously adopted some measures to solve these problems, we should not treat them lightly. Owing to the different paces of reform in various fields and the obstructions to reform, some reform measures which had already been promulgated have not been carried out successfully. At present only one-third of large and medium-sized enterprises have really invigorated themselves, and most enterprises are backward in conducting self-renovation and self-development and in meeting the emergencies occurring on markets. In the course of correcting unhealthy trends, owing to the confused policy boundaries, the legal economic activities in some localities have been restricted, and some contracts cannot be honored. After the price reform was initiated, owing to the lack of experiences, we have failed to adopt coordinated measures, and have given insufficient guidance, thus leading to the inordinate increases in the prices of some foodstuffs. Although we strengthened the control over price hikes in the second half of last year which basically checked the trend of price hikes, latent factors for price hikes still exist because the total social demand still surpasses the total social supply. 2) Economic benefits from production and business were not high. With a low technological level, and backward scientific management, industrial enterprises in our province produced some goods of poor quality, and consumed plenty of materials. In commercial enterprises, marketing funds rose, and the turnover of circulating funds was slow. Some construction projects required long construction periods, and those commissioned amounted to a small part. Only 25 percent of the products produced by township enterprises were competitive in markets. 3) The agricultural foundation was rather weak, and destabilizing factors existed in agricultural production. Our successive good agricultural harvest over the past few years should mainly be attributed to the power of party policies, and science and technology. However, due to negligence of farmland improvement projects, reduced agricultural input, and poor service which failed to catch up, pump wells were out of repair; channels were seriously damaged; soil fertility declined; and arbitrary occupation of farmland was a common scene. In addition, the acute shortage of water resources of our province made our groundwater level drop every year. We should pay great attention to these unfavorable conditions affecting the sustained agricultural growth. Since 1984, despite our efforts to strengthen the work concerning poverty-stricken areas, some localities have yet to eliminate their poverty and backwardness due to numerous reasons, and the people in some remote mountainous and old revolutionary base areas still do not have adequate food and clothing. 4) Although the social conduct of our province showed improvement, it was far from being fundamentally improved. We should attach great importance to these problems and difficulties, continue to work hard, and carry out the work of this year and the entire Seventh 5-Year Plan period more conscientiously and successfully. We ask you, fellow deputies, to supervise our work.

2. Major Tasks of the Seventh 5-Year Plan, and Economic Structural Reform

The Seventh 5-Year Plan period is important to the fulfillment of the strategic objective of quadrupling the industrial and agricultural output value by the end of this century as set forth at the 12th National Party Congress, and also crucial to the changeover of the old economic system into the new. During the period in question, we should continue to conscientiously implement the policy of "enlivening the domestic economy, and opening to the outside world," carry out the economic structural reform thoroughly, and greatly facilitate economic construction and social development. In line with the general requirement for greatly expanding the socialist commodity development, gradually establishing a new economic system corresponding to our characteristics and full of vitality and vigor, and on the basis of the actual conditions of our province, the guiding ideology for the Seventh 5-Year Plan is: to give top priority to reform persistently, and make reform and development adapt to the local need to attach strategic importance to science and education development persistently, and promote the national economic development with high efficiency; to open to the outside world persistently, and further expand foreign economic and technological exchanges; to coordinate production and construction with the consumption for everyday life persistently, and fix an appropriate construction scale, and an appropriate degree of improvement in the people's living standards; and to greatly strengthen the building of the socialist spiritual civlization persistently while promoting the building of the material civilization.

After earnestly summing up the fulfillment of the Sixth 5-Year Plan, analyzing and studying the current situation of economic and social development, and taking into consideration the new factors of the Seventh 5-Year Plan period, and on the basis of the principle of being optimistic but not over-ambitious, the major tasks for our province's national economic and social development for the Seventh 5-Year Plan period are defined as follows:

1) We should push forward the overall reform of the structures of the economy, science and technology, and education, and continue to bring into balance the relations among various sectors so that the production relations can better suit the needs in the development of productive forces, and a foundation can be laid for a socialist economic system that is full of vitality and vigor.

2) We should strive to maintain the basic balance between the total social demands and the total social supply. On the premise of ceaselessly upgrading the economic results, we should ensure a sustained, steady, and coordinated development of the national economy. When calculated in terms of the 1985 price index, the province's total industrial and agricultural output value should reach 81.8 billion yuan by 1990, an increase of 37.7 percent over that of 1985 and an annual average increase of 6.6 percent. By 1990, the GNP should reach 53.4 billion yuan, an increase of 39 percent over that of 1985 and an annual average increase of 6.8 percent. A total of 184 billion yuan of national income has been arranged for use during the Seventh 5-Year Plan, an increase of 64.8 percent over that in the Sixth 5-Year Plan period. In the distribution of national income, a total of 130 billion yuan of funds has been arranged for consumption funds in the Seventh 5-Year Plan period, accounting for 70.7 percent of the total national income; and a total of 54 billion yuan of funds has been arranged for accumulation funds, accounting for 29.3 percent of the total national income. The investment in the fixed assets of the whole society in the Seventh 5-Year Plan period should be 55 billion yuan, an increase of 15.1 billion yuan over that of the Sixth 5-Year Plan period.

3) We should continue to readjust the structure of investment and the industrial structure, and to vigorously strengthen the construction of key projects, technological transformation, and intellectual development in order to prepare necessary reserve strength for the faster economic and social development in the 1990's. By 1990, the proportion of the agricultural output value in the total industrial and agricultural output value should drop from 27.7 percent in 1985 to 24.5 percent, that of the light industrial output value should rise from 35.1 percent to 37.8 percent, and that of the heavy industrial output value should rise from 37.2 percent to 37.7 percent. In the GNP, the proportion of the tertiary industry should rise from 21.3 percent in 1985 to 24.7 percent and that of the primary and secondary industries should drop from 78.7 percent to 75.3 percent. Fixed assets worth of 26 billion yuan should be added for the state units in the Seventh 5-Year Plan period, an increase of 6.57 billion yuan over that of the Sixth 5-Year Plan period. In this period, 67 large and medium-sized capital construction projects and above-quota projects for technological transformation and equipment renewal should be completed and commissioned. By 1990, 34 counties and cities throughout the province should make the 9-year compulsory education universal. In this period, the province should produce about 400,000 college graduates (including the graduates from adult schools). Of the newly added industrial and agricultural output value, over 25 percent should be gained by relying on scientific and technological progress. The quality and functions of over 40 percent of the total major industrial products should reach the national advanced level of that time.

4) On the basis of developing production and upgrading economic results, we should continue to improve the livelihood of the urban and rural people. By

1990, the consumption level of the urban and rural residents should reach 453 yuan, an increase of 32.1 percent over that of 1985. The per capita wage of the staff members and workers should reach 1,300 yuan, an increase of 257 yuan and an annual average increase of more than 4 percent. The per capita net income of the peasants should reach 530 yuan, an increase of 145 yuan over that of 1985 and an annual average increase of 6.6 percent. Further improvement should be made in the people's living standards and their living conditions. The natural population growth rate should keep within 11 per thousand.

The above-mentioned four tasks are closely related and linked with each other. Fundamentally speaking, reform is a task of the utmost importance. Only when we continue to deeply and systematically carry out the reform of the economic structure and bring different sectors of the economy into better balance can we be able to further emancipate the productive force and to ensure a smooth progress of the economic construction and the construction of all undertakings for social development. Simultaneously only when we lay a good foundation for the new economic structure that is suitable to our province's special characteristics and full of vitality can the economic vitality and prosperity be promoted in the 1990's and beyond.

The economic structural reform during the Seventh 5-Year Plan period is, in general, mainly composed of the following three parts.

First, enterprises, in particular large and medium-sized stage-owned ones, should be invigorated, and lateral economic cooperation should be greatly expanded. Effective measures should be adopted within and outside enterprises to expand their decision-making power in production and business. These measures include properly reducing mandatory plans, granting regulating tax reduction or exemption, raising the depreciation rate, lightening irrational burdens, applying and improving the systems of having plant directors (managers) assume full responsibility, and of having them assume the responsibility for fulfilling certain targets within their terms of office, reforming the wage and award systems, and the labor system of enterprises, and so forth. In this way, enterprises will acquire the capacity to accumulate funds for transformation and development. We should continue to straighten out and consolidate administrative, and semi-administrative companies. Except for a few departments and trades, no organs at the provincial level will have the power to administer enterprises directly. Cities should also separate government functions from those of enterprises, and delegate to enterprises the power they are entitled to so that enterprises will truly become relatively independent socialist commodity producers and distributors with autonomy in operation, and responsible for their own profits and losses. Focusing on upgrading product quality, and reducing material consumption, all enterprises should introduce overall quality control, establish and improve the quality guarantee system, and strengthen the various technological foundation of enterprises. We should establish an economic accounting system with the accounting of the plant or department as the center, that of the workshop as the emphasis, and that of the work group as the foundation, do a good job in the technological foundation of enterprises, and strive to apply modern management in enterprises. We should continue to develop various forms of ownership and operation on the premise that public ownership occupies a dominant position, and allow some small state-owned enterprises to be operated by collectives or individuals through contracts or leasing. Enterprises suffering poor management for a long period of time should be reorganized, and closed down, suspended, incorporated with others, or have their production lines converted in line with the principle of selecting the superior and eliminating the inferior. In particular, we should greatly promote the lateral economic cooperation among enterprises in the principle of voluntary participation, mutual benefit, and common development, and gradually establish associations of enterprises of various forms at various levels. At present, the great development of lateral economic cooperation is of extremely far-reaching significance in further facilitating the economic structural reform, and accelerating the national economic development. The purpose of the lateral economic cooperation among enterprises is to rationalize enterprise structure, the development of resources, the use of funds and technology, and the disposition of productive forces. We should give full play to the economic advantage of cities, and organize large industrial and mining enterprises to establish ties with township enterprises to allow the latter to carry out some of the production tasks of the former. We should also make the best use of our geographical condition of being close to Beijing and Tianjin, and absorb advanced technology to increase the competitive edges of our products. We should particularly advocate the cooperation between processing enterprises and raw material producing enterprises, between military and civilian enterprises, between production enterprises and scientific research and designing units (including colleges and universities), and among agricultural, industrial, commercial, and foreign trade enterprises. The cooperation may be closely, semi-closely, or loosely organized. It may be long-, medium- or short-term in the form of joint venture, cooperative production, or processing with provided materials. With regard to the defects in the managerial system cropping up in the course of cooperation, and some policies, and regulations hindering the cooperation, we should conscientiously study them, and actively readjust and improve them in the spirit of reform. Planning, finance, tax, supply, banking, and other provincial departments should study and formulate new policies and regulations, actively support and encourage enterprises to expand lateral economic cooperation, protect the legal rights and interests of all the parties joining the cooperation, and ensure the sound development of the various types of cooperation among enterprises.

Second, we should further develop the socialist commodity market, and gradually perfect the market system. We should continue to reduce the variety and quantity of the products allocated and distributed under the unified state plan, should further perfect the system of purchasing goods by contracts, and should expand the proportion of the farm and sideline products which are sold on markets at the negotiated prices. In purchasing and marketing the manufactured consumer goods, we should adopt such forms as allowing industrial enterprises to sell their products by themselves, allowing commercial units to order and buy such goods at their own choice and to market them on a commission basis, and allowing industrial and commercial units to market such goods jointly. Big and medium-sized cities should generally establish the production means markets, advocate the direct contacts between the producers and buyers, and unclog the circulation of goods. At the same time, we should gradually open up banking markets, expand the technological markets, and attend to commercializing residences on a trial basis. The key to establishing and perfecting the socialist market system lies in further reforming the pricing system and the price management system. At present in doing the price work, we should focus on consolidating and digesting the reform measures which have already been initiated, and resolutely maintaining the basic stability of the total price level. During the Seventh 5-Year Plan period, the focus of the price reform is to change the prices of energy, raw materials and other production means which were set low in a planned and step-by-step manner in order to gradually narrow the gap between the planned prices and the market prices. We should gradually loosen control over the prices of ordinary commodities. The state-run commerce should play its predominant role, and actively take part in the market regulation. Through reform, we should gradually establish the system under which the prices of a handful of important commodities and labor services are fixed by the state, and the prices of the remaining large number of commodities and labor services are subject to the state guiding prices and the market regulatory prices so that we can give good play to the regulatory role of prices as a lever.

Third, we should gradually relax the present forms of direct state control over enterprises and establish a new system under which this control will be exercised indirectly. We should also establish a new socialist macroeconomic management system. During the Seventh 5-Year Plan period, we should control and regulate the operation of economy through economic, legal, and necessary administrative means. The state plans are the major basis for giving macroeconomic guidance to and exercising control over the correct development of the national economy. To ensure the fulfillment of the planned targets and to develop the planned commodity economy, we should further reform the planning system, appropriately reduce the proportion of the mandatory plans, and expand the scale of the guidance plans and the market regulation. At the same time, we should gradually shift the focus of the planning work onto the orbit of comprehensively managing and regulating the macroeconomy through economic policies, through such economic levers as prices, tax collection, credit, interest rate, and wages, and through the comprehensive utilization of the economic regulatory means. Governments at all levels should systematically study and work out methods for comprehensively utilizing the economic levers in order to make various economic regulatory means coordinate with one another and to achieve the best macroeconomic efficiency. We should readjust and restructure the organizational departments, amplify and strengthen the comprehensive economic management departments, and raise the level of policy- and decision-making abilities and the ability to control the macroeconomy. Being the place to integrate the urban economy with the rural one, various counties should actively carry out experiments for the county-level comprehensive reform, and gradually popularize the experiences of various experimental counties. The professional economic departments should shift their work from exercising direct control over enterprises to formulating plans and technical policies for enterprises, providing information for enterprises, training competent persons for enterprises, and giving management services to them. We should attend to the building of the economic information network, strengthen the policy-making and advisory systems, and establish and improve various economic rules and regulations and the economic judicial work in order to raise the level of abilities to make macroeconomic decisions and policies and provide regulations and laws for various economic activities. We should amplify and intensify the forces of the auditing, statistical, pricing, and industrial and commercial administrative departments, should constantly perfect and step up the economic supervision, and should put the economic activities under the supervision of laws, so that we can ensure the normal progress of the economic life and promote the development of the social productivity.

3. The Several Tasks that Should be Emphasized in Order to Fulfill the Seventh 5-Year Plan

In order to fulfill the major tasks and fighting goals set forth in the Seventh 5-Year Plan, we should give full play to our advantage in resources and our favorable conditions while continuing the reform successfully, and emphasize the following eight fields of work concerning economic and social development.

1) We should continue to grasp grain production, and actively develop diverse undertakings. Agriculture is the foundation of the national economy, and grain is the foundation of the foundation. The grain production situation of the Seventh 5-Year Plan period has a direct bearing on the national economy as a whole. Because our province has a population of more than 50 million, feeding the people is a matter of prime importance, and, besides, the development in animal husbandry, aquaculture, food processing industry, and catering and service trades requires increasingly more grain. Our province achieved self-sufficiency in grain production in the past 2 years, but the self-sufficiency level was low. In our history, our province always lacked grain. Of the 33 years from 1953 to 1985, we shipped in grain from outside the province for 29 years, and shipped out grain for the other 4 years. Therefore, we must continue the principle of "never slackening grain production while actively developing diverse undertakings," make grain production successful, and strive to increase its per-unit yields in areas suitable for grain production. While ensuring increased grain production, we should readjust the structure of farming in line with local conditions, and vigorously develop cash crops, such as cotton and oil-bearing crops, and forestry, animal husbandry, and fisheries. In 1990, the province plans to make the grain output reach 22.5 million tons, cotton output 675,000 tons, and oil-bearing crops 1 to 1.1 million tons. We should conscientiously implement the relevant policies of the CPC Central Committee and the State Council, perfect the grain and cotton contracted purchasing system, stabilize the prices of the means of agricultural production, carry out multilayered measures aiming at "supporting rural industries with agricultural production," and basically balance the price ratios among farm products with the guidance of state plan in order to boost peasants' enthusiasm for grain production. We should gradually increase the investment in farmland irrigation projects, and the input for other agricultural purposes, ease the acute energy shortage in the rural areas, strengthen the overall management of the existing irrigation resources, and enhance the capability to combat disasters. We should strengthen land management, bring the land for nonagricultural use into strict control, resolutely stop arbitrary occupation of farmland, stabilize grain field acreage, and carry out intensive farming. In the eastern part of the province, the areas along the Beijing-Guangzhou railway, and the

Heilonggang area, we should gradually establish corn, wheat, cotton and other commodity production bases, and establish vegetable production bases on the outskirts of large and medium-sized cities. We should greatly expand forestry, animal husbandry, and fishery production. In forestry, we should expedite the construction of fast-growing and high-yielding forests, and farmland shelterbelts in easily accessible mountainous areas and plains, and further improve the forestry contract responsibility system. Reckless felling of trees should be resolutely banned. We should also greatly develop fruit trees, and intensify the technical management of the existing fruit trees. At the same time, we should emphasize the second-stage construction of the shelterbelts in north, northeast, and northwest China, around Beijing and Tianjin, in areas formerly flooded by the Yongding He, and in Pingshan County, and start the water and soil conservation project in the upper reaches of the Luan He and the Chaobai He. By 1990, we should strive to make 20 percent of the land of our province covered by forests, our forest tree reserves reach 70 million cubic meters, and our fruit production reach 2.5 million tons. In the development of animal husbandry and aquaculture, we should pool the efforts of the state, the collective and the individual, continue to do a good job in specialized production, and contracted operation, grasp animal feed production well, and establish a multipurpose service network. By 1990, we should strive to make our meat output reach 1 million tons, and the output of aquatic products 190,000 tons.

2) We should vigorously develop town- and township-run enterprises to accelerate the pace of economic development. The governments at all levels and relevant departments should consciously strengthen leadership over the development of town and township enterprises since it is a key link to vitalizing our province's economy. In accordance with the local natural resources and market demands and in line with the principle of "giving initiative assistance, making rational arrangement, giving correct guidance, and strengthening management," all localities should proceed from realities to give instructions, make good distribution of the town and township enterprises, and make good efforts to readjust product mix. Farming areas on plains should concentrate on developing industry for processing farm and sideline products. The areas around Beijing, Tianjin, and the large and medium-sized cities of our province should concentrate on developing machinery and various kinds of service trades to serve large industrial enterprises. Mountainous areas should focus on developing building materials and mining industries. Highlands should focus on developing meat and leather processing industries. We should strengthen lateral cooperation, technological transformation, and cultivation of technological personnel in order to upgrade the quality of enterprises. The total income of the town and township enterprises is planned to reach 35 billion to 40 billion yuan by 1990, doubling the figure of 1985. Greater progress should be made in the tertiary industry.

3) We should enthusiastically facilitate a comprehensive development of mountainous and coastal areas and highlands while further developing the economy on plains. Sixty-six counties occupying two-thirds of the province's total areas belong to mountainous and coastal areas and highlands, and more than one-third of the province's total population are living in these places. With so many living things and rich mineral resources, these areas have done a good job in developing and using their resources. In particular, the

mountainous areas and highlands are still economically and culturally backward, and their people's living standards are rather low. Thus, during the Seventh 5-Year Plan period, we should firmly grasp the comprehensive development of "mountainous and coastal areas and highlands" in an effort to gradually change their backward situation. In developing these areas, we must persistently carry out the principle of giving instructions in accordance with different actual conditions; bring into full play the advantages of localities to develop commodity economy; pay equal attention to developing farming, breeding, processing, mining and building industries, transportation, commerce, and service trade; and pool the efforts of the state, the collectives, and the individuals. The mountainous areas should carry out comprehensive development of forestry, fruit, livestock, mining and grain production with a focus on developing transportation; enthusiastically popularize the technologies suitable to their local conditions; vigorously develop forestry, fruit production and animal husbandry; and develop mining and building industries in accordance with local conditions. In accordance with the principle of establishing a chain-like coordination between scientific research, production, processing and marketing, we should grasp the precision processing of farm and sideline products. With regard to water and soil conservation, we should comprehensively develop mountainous areas, sloping fields, rivers, and beaches. The coastal areas should rationally develop and use the resources of rivers and beaches, and take the path of breeding high-yield quality aquatic products with a focus on breeding aquatic products such as fish and shrimps. We should grasp the comprehensive development of agriculture, animal husbandry, sideline occupation, and fishery, and the coordinated construction of production, storage, transportation, and marketing. We should make efforts to enthusiastically develop salt industry and tourism, and to build the coastal areas into salt industrial and aquatic products bases. Taking into consideration the forestry, grass, livestock and agricultural development with a focus on animal husbandry, we should enthusiastically develop man-made pastures and enclosed pastures, build shelter belts around grasslands, and strive to upgrade the livestock farms, ability to raise animals so as to gradually build the highlands into the bases for producing livestock products. The areas that are seriously degenerated into sandy or salinized lands should be given conditions for rehabilitation in an effort to restore their ecological balance. Through further implementing the policies and relaxing the policy restraints, we should give the people in the mountainous and coastal areas and highlands more self-management power in production and operation; and help these areas vitalize their inner potential. We should adopt various forms and open up various channels for collecting funds for development. While mobilizing the masses to collect funds, the financial departments at all levels and banks should give necessary assistance. The province, prefectures, cities and counties should set up special foundations for the development of these areas. All special funds should be allocated to counties in a step-by-step manner. The counties should make a unified plan to rationally use these funds and arrange the funds in the order of importance and urgency. We should strengthen the construction of infrastructures such as water and electricity supply projects and roads, do a good job in intellectual development, and organize and send scientific and technological personnel to mountainous and coastal areas and highlands. We should conscientiously implement the specific policies of the provincial government on developing the mountainous and coastal areas and highlands in order to accelerate the pace of the development of these areas.

The Heilonggang area should proceed from local reality in readjusting its production setup continuously, further improve grain and oil-bearing crop production, emphasize the construction of cotton production bases, and greatly expand forestry, fruit production, animal husbandry, and processing of farm and sideline products. It should strengthen farmland improvement projects, tackle drought, waterlogging, and alkaline land in a comprehensive manner, strive to change the outlook characterized by frequent disasters and low yields, and accelerate economic development.

Support-the-poor and disaster relief work should be carried out conscientiously. The provincial, and the various prefectural, city and county governments should formulate plans and institute the responsibility system to help poor households get rid of poverty and achieve affluence. They should particularly support the poor in poverty-stricken areas of minority nationalities, and render active support to their economic, and cultural development.

4) We should give priority to the development of light and textile industries, and strive to increase consumer goods production. Light and textile industries constitute a great advantage in our economic development. A great development in light and textile industries is an important measure to ease the contradiction between market supply and demand, and to bring about an economic leap in our province. During the Seventh 5-Year Plan period, we should focus on textile, food, animal feed, ceramic and medical industries, and strive to increase the production of cotton textiles, woolen textiles, printing and dyeing materials, household electric appliances, animal feed, garments, daily ceramics, paper, leather and other daily consumer goods, medical goods, and minor commodities. In the coming 5 years, while reducing the local investment in capital construction, we plan to make an investment of 2.91 billion yuan in the capital construction and technical transformation of light and textile industries. This figure shows a nearly 100-percent increase over that of the Sixth 5-Year Plan period. In the textile industry, we should emphasize the technical transformation of the export-oriented enterprises of the two major textile bases in Shijiazhuang and Handan Cities in order for them to produce more varied, serialized, and high-grade products. While continuing to develop the production of pure cotton products, and actively expand the production of chemical fibers, we should make efforts to increase the output of woolen and silk fabrics. The province plans to raise its cotton yarn output to 260,000 tons, its cotton cloth output to 1.15 billion meters, and its chemical fiber output to 30,000 tons by 1990. In the food industry, we plan to renovate and expand 10 soft drink plants, 6 beer breweries, and 4 backbone canned food enterprises, and double the output value in 5 years. Animal feed, ceramic, and medical industries should also be accelerated. All light industrial enterprises should pay attention to the development of new products, carry out processing more intensively, and expedite the upgrading and updating of products. Meanwhile, production enterprises should sign contracts with raw material production units for direct supply of materials, or for cooperative operation in order to establish stable raw material bases. By 1990, the output value of light industry in the entire industry should be raised to more than 50 percent.

5) We should bring the investment in fixed assets under control, and readjust investment pattern to strengthen key projects in energy, transportation, raw material, and telecommunications fields. According to the arrangements of the central authorities of dividing the Seventh 5-Year Plan into two steps, the scale of the investment in fixed assets should be brought under control, and a basic balance between the general social supply and demand should be realized in the first 2 years. The investment in the entire Seventh 5-Year Plan period should also be kept down to a scale commensurate with the capacity of the province. Over-extended investment scale will lead to an imbalance among the major sectors of the economy, and will delay the progress of modernization. In order to fix an appropriated investment scale, and increase the strength for future economic construction, we should further reform and improve the capital construction management system, and establish and perfect the social fixed asset management system during the Seventh 5-Year Plan period. With regard to new capital construction projects, we should make good early-stage preparations, and report to higher authorities and obstain approvals in strict accordance with procedures. Construction of key projects should be meticulously organized and carried out in line with the proper schedule, and its quality should be guaranteed, and cost lowered so that the investment can yield better returns. Except for the construction of middle and primary schools, kindergartens, and teachers training schools whose investment is provided by stand-by financial resources of the local enterprises and by the extra-budgetary funds, all the investments in the state-owned fixed assets should be incorporated into the scale of capital construction investment. The capital construction loans issued by banks must be incorporated into the capital construction plan. We should strengthen the management over and the guidance of the investments by the collectives and individuals in the urban and rural areas. At the same time, we should readjust the structure of the fixed assets, clear up the ongoing construction projects, and ensure the construction of key projects. We should truly spend the funds for technological transformation and renovation on the technological transformation projects of enterprises in order to promote the technological progress.

During the Seventh 5-Year Plan, the arrangements for the energy, transportation, raw materials, and communications projects are as follows: 1) We should continue to implement the principle of paying equal attention to development and economizing, give prominence to the construction of the power industry, and strive to increase the coal production. At the same time, we should strengthen the geological prospecting work, increase the reserve natural resources, and improve the ability to continue the construction. During the Seventh 5-Year Plan period, we plan to newly build the Shalingzi, Shangang, and Qinhuangdao Power Plants, and expand the Douhe, Tangshan, Shijiazhuang, Xingtai, Handan, and three other power plants as well as the energy-reserve power station of the Panjiakou reservoir. We plan to grasp the construction, continuation, and expansion of the 11 pairs of coal pits run by the collieries whose products are distributed under the unified state plan, attend to the construction of the 33 locally run coal pits, and complete the renovation of 700 small collieries run by towns and townships. We also plan to grasp the utilization and popularization of new energy resources in line with the principle of "suiting measures to local conditions, making up for the deficiency with sufficiency, comprehensively utilizing energy resources, and stressing on practical results." 2) While ensuring the construction of Daqin railway, a key state project, the localities should give prominence to developing highway transportation, and should accordingly develop local railways and water and air transportation. Construction of highways should spread toward outside places with the focus on improving and linking up the existing roads, and improving the technological situation and passing ability of key highways. We should strive to let highways and railways share the transportation task, and should attend to the construction of key tourist highways. Efforts should be made to open highways and railways in mountainous, coastal, and upland areas. We should strengthen the management of the local railways, renovate the existing railways, tap the potential of transportation lines, and give prominence to the building of the local railways in Weixian County. We should complete the construction of the Cangzhou Dakouhe local small harbor, and should make good preparations for the first stage of the Wangtan Harbor, the Tanggushuixian Harbor, which are newly built, and the Dakouhe Harbor, which is under expansion. 3) We should vigorously develop the metallurgical industry, the building materials industry, and the production of the basic chemical industrial raw materials, should pay attention to readjusting product mix, and should enhance the depth of the processing industry. We should emphatically grasp the expansion and renovation of the Tangshan, Xuanhua, Handan, and Chengde Iron and Steel Plants, should pay attention to the technical transformations of the Handan and Qixin Cement Plants, and the second broaching project [er la gong cheng 0059 2139 1562 4453] of the Qinhuangdao Glass Fiber Plant, should complete the project of the Qinhuangdao float glass production line, should successfully draw and digest the equipment imported by the Jidong Cement Plant, should actively develop new glass products and building ceramic products, and should expand the production capacity and the foreign exchange earning capacity. Meanwhile, we should grasp the construction of the Tangshan Soda Ash Plant, and the Qinhuangdao Phosphate and Ammonium Plant, and the renovation of the Cangzhou and Xuanhua Chemical Fertilizer Plants. 4) We should expand the local calling and long-distance calling capacity of the urban areas, strengthen the construction of the modernized communications means, and improve the communications situation of Shijiazhuang and the coastal open cities. In towns and townships, we should gradually form a multichannel and multilayered postal and telecommunications network under which the key and branch lines are linked with each other.

The machinery and electronics industries constitute the outfit department of the national economy. During the Seventh 5-Year Plan period, we should readjust and organize various kinds of integrations with the focus on the key enterprises and the key products. Through the import of advanced technologies, we should promote the development and application of the organic integration of the micro-electronics technologies and the machinery electronic technologies, should accelerate the pace of the self-renovation of technologies, and should accelerate the upgrading and updating of products. We should gradually attain the goal of producing products according to the international standards.

6) We should vigorously develop scientific, technological, and educational undertakings, speed up intellectual development, and promote technological progress. In order to greet the challenge of the new technological revolution,

we should further implement the policy that economic construction must depend on technological progress and that scientific and technological work must cater to the needs of economic construction, and should consider scientific and technological progress as one of our important strategic plans. During the Seventh 5-Year Plan period, the scientific and technological sector should attend to the three fields of work centering on the development of major trades, competitive products, "mountainous coastal, and plateau areas," and township enterprises and the establishment of commodity producing bases: First, we should vigorously implement the "spark plan" which mainly serves township enterprises and stresses the development and application of technological projects which require a short construction period and yield quick results. Second, on the basis of breeding major crops, fruit trees, livestock, poultry, and good strains, we should comprehensively develop major areas and carry out scientific and technological research in foodstuffs, animal feed, building materials, textile, medicines, microcomputer application, and biological engineering, organize scientific, and technical forces to tackle technical problems, and to solve key problems in the course of production and construction. Third, we should extensively promote and apply effective scientific and technological findings that yield quick results. During the Seventh 5-Year Plan period, we should carry out 31 key joint research projects and popularize 100 key scientific and technological findings and new technologies. Furthermore, we should strengthen seismological research and raise the level of prediction and forecast. In order to speed up scientific and technological development, we should conscientiously reform the scientific and technological system and the method of allocation of funds, expand the decision-making power of scientific research units, implement the system of the research institute directors assuming full responsibility, the system of signing technological contracts with foreign countries, and the contract responsibility system in carrying out technical projects, open up new sources of funds for scientific and technological projects through various channels, and gradually set up scientific and technological development funds as well as award funds so that scientific research units will have vitality in making progress through self-reliance and in serving economic construction. We should develop technological markets and speed up the commercialization of scientific and technological findings. We should also establish and improve socialized scientific and technological service organizations at all levels in counties, townships, villages, and communities, improve the technological development organs of enterprises, promote lateral cooperation among universities, colleges, research units, and production units, and form new scientific research and production associations. Technical personnel who have scored great scientific research achievements should be given handsome awards. Meanwhile, we should do a good job in popularizing scientific research findings, in digesting and absorbing import technology and in blazing new trails, rapidly change scientific and technological findings into productive forces, and raise the province's science and technology to a new level.

The social sciences sector should apply the basic Marxist theories, strive to explore objective laws from all fields in the course of building socialism, deeply explore and study major theoretical and practical problems focusing on Hebei Province's economic development strategy, system reform, production and construction, and produce a number of research findings of a fairly good quality.

Education is a foundation for promoting scientific and technological progress and for realizing the four modernizations. Paying great attention to education is our firm and long-term strategy. During the Seventh 5-Year Plan period, we should further balance the internal and external relations in the educational sector in line with the demands of "serving the modernization program, the world, and the future," define a rational scope and structure, and gradually form an educational system that meets the needs of the "four modernizations" construction program. In the Seventh 5-Year Plan, we should prominently stress the popularization of the 9-year compulsory educational system. Economic and cultural development has been uneven in various localities, therefore, we should adhere to the principle of seeking truth from facts and suiting measures to local conditions while conducting the 9-year compulsory education. We should not seek uniformity and deviate from reality in order to pursue high targets. We should carry out specific measures for giving instructions in accordance with different actual conditions. While consolidating and popularizing primary school education, the areas with better economic foundations should ensure an accomplishment of the work of making middle school education universal. The areas with ordinary economic conditions should concentrate the first 2 years of the Seventh 5-Year Plan period on popularizing primary school education, and then base on the achievements in popularizing primary school education to create conditions for making middle school education universal. Remote mountainous areas, highlands, and the areas with poor economic conditions should strive to basically make the primary school education universal in 3 years and beyond. All prefectures, cities, and countries and even townships should persistently proceed from actual conditions to work out fighting targets for making primary school education universal, and then carry them out in a step-by-step manner.

We should conscientiously grasp the work of wiping out illiteracy; and develop preschool education and the education especially for disabled people and retarded children. We should continue to carry out the reform of secondary educational structure; vigorously develop vocational and technical education, adopt various ways to run full-time vocational middle schools, agricultural middle schools, technical schools, and schools for staff members and workers; and strive to change the unitary situation of ordinary education. We must make great efforts to develop teachers training education since it is a basis for cultivating talented personnel. We must pay special attention to developing the county-level teachers training schools and advanced schools for teachers. We should focus the development of ordinary higher education on tapping the potential of existing institutions of higher learning, expanding the quotas for enrollment, and upgrading their educational quality. At the same time, we should further readjust the proportions between different categories of courses and between various specialized courses, and speed up the development of the branches of learning which we are short of, which we have not had, and which we are weak in. With regard to the development of adult education, we should strengthen the training courses for in-service workers through radio, television, correspondence, and press in order to upgrade the educational level of the vast number of cadres, workers, and peasants.

We should strive to improve public health and sports work. Through implementing the principle of "focu we should strengthen the prevention and cure of infectious and endemic diseases, and pay attention to preventing and curing the patients suffering from hypertension, apoplexy, and malignant tumors. The medical and public health departments at the provincial, prefectural, and city levels should give professional training and guidance to the rural medical units below the county level, organize key medical workers to make a circuit of different areas to give treatment. We should continue to set up and consolidate various kinds of medical cooperative associations. By making the most of the province's advantages, we should strive to develop traditional Chinese medical science and the production of traditional Chinese medicines. We should strengthen environmental protection work; strictly implement the "law on environmental protection" and the provincial regulations on environmental protection, and strive to improve the environmental sanitation of the urban and rural areas. We should unswervingly carry out the planned parenthood work; and continue to advocate the one-couple and one-child practice, to control a second birth, and to resolutely stop multibirths in an effort to continue keeping under control our province's natural population growth rate. We should strive to promote a scientific and socialized sports work, widely launch mass sports activities, upgrade the sports technical levels, bravely scale new heights in sports, and ceaselessly improve the people's physical and health conditions.

7) We should strengthen financial and banking management and the management of tax revenue in order to increase the revenue.

Finance is an issue relating to the whole situation as well as an important condition and guarantee for the economic development and the realization of the Seventh 5-Year Plan. During the Seventh 5-Year Plan period, we should continue to reform the financial and tax systems; study ways for making, collecting, and using money in the new situation; and make efforts to make financial departments become management and operation departments in a step-by-step manner. The financial departments should vigorously support the development of commodity production and focus on upgrading the economic results to flexibly use funds and open up financial resources. We should further strengthen tax revenue, firmly grasp the basic work for the management of tax revenue, stop all loopholes and upgrade the level of tax collection and management work. We should conscientiously strengthen financial construction and do a good job in increasing revenue and reducing expenditure. We should study and work out correct financial policies and reasonable regulations on financial affairs in order to bring into full play the role of the financial and tax revenue departments as an economic lever. We should reduce nonproductive expenses and administrative funds. Budgetary funds should be properly managed, and both budgetary and extra-budgetary funds should be planned and used in an all-round manner. Finance, tax, and auditing departments should fully perform their supervisory functions to ensure efficiency in fund utilization, and strict enforcement of financial and economic discipline. We should continue the work to help the counties relying on subsidies change such a situation. Such counties should develop production vigorously, expand circulation, and do a good job in increasing revenues and cutting expenditures. We should formulate special policies, and provide necessary money and materials to help them change the situation of relying on subsidies as soon as possible.

Banks at all levels should actively increase savings deposits, tap potential in funds, do a good job in the movement of capital, strengthen guidance to and regulation of the macroeconomy, and raise the benefit from fund utilization.

8) We should expand foreign trade, and strive to enhance our ability for earning foreign exchange through export. Faced with a new situation of further opening to the outside world, we should continue to expand foreign economic and technological exchanges, and strive to enhance our ability for earning foreign exchange through export during the Seventh 5-Year Plan period. We should vigorously organize the supply of commodities for export, and, in line with the principle of "allowing those who create foreign exchange to be benefited," adopt the method of allowing goods supplying units to share a certain amount of the foreign exchange they create so as to encourage them to export more and earn more foreign exchange. Based on the actual conditions of our province, we should give prominence to our priorities, make a success of the production and export of highly competitive and staple goods, strengthen the planning and construction of export commodity production bases and specialized plants, and gradually establish an export-oriented production system. We should further open up new international markets while continuously consolidating and expanding the original markets. This year, we should continue to make the international economic and technological cooperation and export trade meetings successful. We should greatly develop tourism, improve the two tourist areas of Chengde and Qinhuangdao, and the two tourist spots of the Qingdong tomb and the Xi tomb on a priority basis, gradually establish a tourist network with the characteristics and styles of our province, make our province more attractive to tourists, and increase our nontrade foreign exchange earnings. We should fully tap the potential for exporting labor service, and undertaking contracted projects abroad, and enhance our ability for earning more foreign exchange through the export of labor service. We should rationalize our import pattern to give priority to the software, advanced technologies, and key equipment commensurate with our economic development level. We should utilize more foreign funds, and use them emphatically in light and textile industries, energy, communications, and raw material industries, and the technical transformation and equipment renewal of the existing enterprises, and successfully combine foreign fund utilization with technology import, and technical transformation. We should also strengthen control over the projects to be imported, and the planned management of foreign fund utilization to avoid blind acts. As the only open coastal city of our province, Qinhuangdao City should enhance its role as a window to the opening to the outside world, intensify the construction of the economic development zone, score greater achievements in foreign economic and technological cooperation, and become a gateway of our province's foreign trade.

Fellow deputies!

The goals of the Seventh 5-Year Plan are grand, and its tasks are arduous but we can realize them through hard work. It unfolds in front of the people an encouraging brilliant prospect. The People's Governments at all levels should conscientiously organize its implementation, and resolutely carry it out.

In order to ensure the successful fulfillment of the Seventh 5-Year Plan, we must grasp the two civilizations simultaneously. Economic work is the center of socialist modernization, and ideological and political work is the guarantee. Following economic enlivening, and opening to the outside world, the people have acquired much new knowledge and many new ideas which correspond to modern civilization. However, inevitably, something negative has been brought in, which if not conscientiously tackled, will hinder the smooth progress of reform and construction. Therefore, we should vigorously strengthen the ideological and political work, and should conduct ideological education among the large number of cadres on patriotism, collectivism, communism, and on the cultivation of lofty ideals, moral integrity, cultural accomplishments, and discipline through the methods of vigorously propagating and commending the model deeds of the advanced units and figures. In this way, we can help the large number of cadres foster lofty communist ideas, consciously observe social ethics and professional morality, enhance their spirit, and actively plunge into the practice of realizing the Seventh 5-Year Plan and into the socialist modernization drive. All levels of cultural, broadcasting, television, press and periodicals, and publishing departments should adhere to the orientation of serving socialism and the people, should give top priority to social benefits, should frequently go deep into the reality of life, should maintain close ties with the masses, should be brave in making innovations and blazing new trails, should create still more and better spiritual products for the people, should enrich the people's cultural life, should foster the people's lofty moral values and healthy aesthetic standards, and should encourage the people to enthusiastically dedicate themselves to the four modernizations. In line with the economic development, we should appropriately increase the investment in the capital construction of the cultural and art undertakings. We should attend to the management of the cultural undertakings, and pay attention to the economic efficiency on the premise of paying attention to social benefits. We should also encourage and support the literary and art workers to create still more literary and art works. We should continue to penetratingly conduct the "five-stresses, four-beauty, and three-ardent love" activity, and should eliminate "dirtiness, disorder, and poor service" in the urban areas in order to make the urban environment green, clean, and beautiful. We should attend to urban planning and construction. In particular, we should effect a great change in the public health and environment of the various counties around the province's capital and of the nine cities under the jurisdiction of the provincial authorities. We should strengthen the propagation and education on the legal system, should deal strict blows to serious economic crimes and criminal offenses, should strengthen the comprehensive administration over public security, and should foster the good atmosphere of supporting the healthy trend and checking the evil trend. We should promote the fundamental improvement in social conduct, and create still better social environment for reform and construction.

To ensure the successful realization of the Seventh 5-Year Plan, government departments at all levels should vigorously grasp the implementation of this plan. They should be determined to rid themselves of the "excessive meetings and documents," should go deep into the reality of life to conduct investigations and studies, should formulate feasible and effective measures in line with the fresh experiences created by the masses and with the local conditions to creatively implement the principles of the central authorities and achieve success in the work. It should be advocated that cadres at all levels, leading cadres in particular, tell the truth, do solid work, give consideration to the overall situation, stress on the unity and practical results, and compete for making contributions. Cadres should foster the idea that "leadership means service," should consciously accept the supervision from the large number of the masses, should resolutely resist the corrosive influence of using powers to seek personal gain, should be honest in performing their official duties, should observe discipline and laws, should work assiduously, and should serve the people wholeheartedly.

Now we are in the period of great historical change. The province's Seventh 5-Year Plan is a majestic blueprint of the four modernizations. We must unite as one under the leadership of the CPC Central Committee, the State Council, and the provincial CPC Committee, and depend on the people of all nationalities across the province to work hard in line with the spirit of the Foolish Old Man who removed the mountains in order to successfully accomplish the province's Seventh 5-Year Plan!

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PROVINCIAL AFFAIRS

HEI BOLI'S REPORT ON NINGXIA SEVENTH 5-YEAR PLAN

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[Report on the Region's Seventh 5-Year Plan Delivered by Hei Boli, chairman of the Regional People's Government, at the Fourth Meeting of the Fifth People's Congress of Ningxia Hui Autonomous Region on 23 April 1986 -- "Carry Forward the Spirit of the Foolish Old Man Removing the Mountains and Strive for the Successful Fulfillment of the Seventh 5-Year Plan"]

[Excerpts] Fellow deputies:

On behalf of the autonomous regional people's government, I now submit a report on the Seventh 5-Year Plan for the Regional National Economic and Social Development for examination and approval by the present meeting.

We began to draft the region's Seventh 5-Year Plan in early 1984. Over the past 2 years, the regional people's government has organized all prefectures, cities, counties, and the departments concerned in the autonomous region to penetratingly discuss the guiding idea, basic tasks, and major targets of the region's economic and social development in the Seventh 5-Year Plan period and to strive to make forecasts in keeping with the objective reality. We have also reported to the State Council's departments and commissions concerned on numerous occasions. At the regional planning meeting held last February, in line with the guideline of the "Proposal of the CPC Central Committee for the Seventh 5-Year Plan for National Economic and Social Development," the major targets set for our region by the National Planning Conference, and the practical conditions in Ningxia, we further studied and revised the draft Seventh 5-Year Plan. Now, a draft Seventh 5-Year Plan for our region has been worked out, and is now submitted to the meeting for deliberation and approval. Here, I will first report on the implementation of Sixth 5-Year Plan. Then I will make some necessary explanations of the guiding idea and basic tasks of the national economic and social development during the Seventh 5-Year Plan period, as well as some relevant issues.

I. Review of the Implementation of the Sixth 5-Year Plan

Under the guidance of the correct line, principles, and policies of the CPC Central Committee and the State Council, with the vigorous support of the state departments concerned, under the leadership of the regional CPC committee, and with the arduous efforts of the people of all nationalities in the whole region, we have fulfilled the Sixth 5-Year Plan for our region ahead of schedule and consolidated and developed a political situation marked by stability and unity. In 1985, the region's total industrial and agricultural output value was 3,297 million yuan, an increase of 52.3 percent over 1980 or an average annual increase of 8.8 percent; the region's national income was 2,150 million yuan which, calculated in terms of comparable items, represented an increase of 57.9 percent over 1980 or an average annual increase of 9.6 percent. Unprecedentedly profound changes have taken place in our region's economic and social outlook. These changes are chiefly reflected in the following eight aspects:

1. The Rural Economy Has Rapidly Developed in an All-Round Way and has Started to Switch from the Self-Sufficient and Semi-Self-Sufficient Pattern to the Commodity One

In the Sixth 5-Year Plan period, our region successfully completed the first step of reform in the rural areas and successfully started the second step of reform. The thinking of the peasant masses was lively and their spiritual outlook took on an entirely new aspect. They broke through the narrow scope of traditional agriculture and embarked on the broad path of developing commodity production. The level of scientific farming and management has been extensively raised and bumper harvests have been reaped several years running. In 1985 total agricultural output value (including rural industries) was 1,112 million yuan, an increase of 55.3 percent over 1980 or an average annual increase of 9.2 percent. Grain output dropped in 1985 but we still managed to reap a good harvest. The grain output was 1,395,000 tons, an increase of 15.9 percent over 1980. The output of oil-bearing crops was 53,500 tons, an increase of 48.4 percent over 1980. As of 1983, we succeeded in changing the long-standing passive situation whereby we relied on the state-allocated grain to solve the food problem.

We have rationally adjusted the rural production setup. The proportion of agricultural output value in the entire rural production setup dropped from 76.5 percent in 1980 to 72.5 percent in 1985 and that of industry, building industry, transport and communications industries, commerce, and catering industry rose from 23.5 percent to 27.5 percent. The proportion of agriculture in the setup of agriculture, forestry, animal husbandry, sideline occupations, and fisheries dropped from 78.3 percent to 73 percent, while that of forestry, animal husbandry, sideline occupations, and fisheries rose. The proportion of industrial crops in the farming pattern notably rose. The 3-level gradual adjustments in the rural production setup have laid a foundation for the benign cycle of the rural economy in our region.

In the Sixth 5-Year Plan period, the commodity rate of farm produce rose continuously. In 1985, our region supplied 348,000 tons of commodity grain, an increase of 60.4 percent over 1980; 9,795 tons of edible oil, up 45 percent; 4,450 tons of eggs, up 76.8 percent; 1,536 tons of aquatic products, up 430 percent; and 17,735 tons of apples, up 270 percent. The total purchase value of agricultural and sideline products was 460 million yuan, an increase of about 130 percent over 1980.

A breakthrough has been made in the development of township enterprises. In 1985 there were 67,379 township-run, village-run, and individual enterprises, an increase of 1,000 percent over 1980; the number of employees increased to 185,000 people, which accounted for 16 percent of the rural labor force or represented an increase of 270 percent over 1980; the output value increased by 440 percent and the taxes delivered to the state increased at an average annual rate of 56.9 percent. In the 5-year period, the township enterprises spent 7.46 million yuan of their profits in subsidizing agriculture. The development of township enterprises has stimulated the adjustment of the rural production setup and the development of commodity production, instilled new vitality into the rural economy, and brought new hopes.

What is particularly gratifying is that by energetically growing grass, planting trees, and adjusting the production setup the perennially poor mountain areas in the south have, in recent years, started to reverse the loss of the ecological balance and basically stopped ecological destruction. In these areas, vegetation is being restored and soil erosion has initially been brought under control. With the aid of the World Food Program, the Xiji shelter-forest project has been completed ahead of schedule following the afforestation of 1.4 million mu of land. The economy of the entire mountain areas has come to life. Animal husbandry has picked up, grain production has been good for 3 consecutive years, and the serious shortage of fuel, fertilizer, and feed has eased to some extent. In the Sixth 5-Year Plan period, in addition to the Guhai and Tongxin pumping stations, we completed 36 drinking water projects, sank 400 deep wells, and dug 318 ponds and 123,000 water holes. With a total investment of 36.4 million yuan, we have solved the problem of drinking water for about 300,000 people, 90,000 large animals, and over 600,000 sheep and goats. Some 80 percent of the peasants in the mountain areas have basically solved the problem of food and clothing and some peasant households have become well off.

2. Industrial Production has Developed in a Steady and Coordinated Way and the Economic Results have Markedly Improved

During the period of the Sixth 5-Year Plan, we readjusted the internal industrial structure, speeded up the development of light industry, expanded the service scope of heavy industry, and vigorously developed new products; we consolidated the enterprises and strengthened and improved enterprise management; and we expanded the decision-making power of the enterprises and instituted and improved various forms of the economic responsibility system within the enterprises, thus arousing the initiative of the workers and staff members for production and rapidly restoring and developing industrial production. We fulfilled 1 year ahead of schedule the target for total industrial output value laid down in the Sixth 5-Year Plan. Total industrial output value (excluding rural industries) reached 2,185 million yuan in 1985, an increase of 50.8 percent over 1980 or an average annual increase of 8.6 percent, exceeding the growth rate of 3.1 percent specified in the plan. We fulfilled or overfulfilled 31 of the assessment products listed in the Sixth 5-Year Plan. The output of ferroalloy, electricity, tyres, raw coal, calcium carbide, paint, ephedrine, artificial boards, cement, plaster stone, industrial pumps, metal cutting lathes, transformers, walking tractors, internal-combustion engines, machine-made paper, paperboards, sugar, synthetic detergent, matches, and beer increased by considerable margins.

The pace of technological transformation in industry has been quickened. Over the past 5 years, we have invested 877 million in technological transformation projects and completed or commissioned 85 key transformation projects. The technological transformation has increased output value by more than 335 million yuan, accounting for 42 percent of the newly increased output value; increased profits or taxes by about 87.85 million yuan, accounting for more than 50 percent of the newly increased profit or tax amount. Many old mines have completed the technological transformation or coordinated projects with the extension and deepening of mines as the main target. Because they attached importance to technological transformation and stimulated technological progress, 20-plus enterprises, including the Xibei Coal Machine Plant. Changcheng Machine Tool Plant, Dahe Machine Tool Plant, Xibei Bearing Plant, Wuzhong Instrument and Meter Plant, Wuzhong Timber Machinery Plant, and Yinhe Instrument and Meter Plant, turned out many new products during the Sixth 5-Year Plan period, such as the numerical control machine tools, processing equipment, automatic regulating valves, a new type of metal testing machine, Helanshan brand extra-large cylindrical roller bearings and single-file conical roller bearings, scraper conveyors, and explosion-proof electric machines.

Industrial production is advancing along the track of stressing better economic results. In the Sixth 5-Year Plan period, the quality indexes of 9 of the 12 listed key assessment products were improved or raised, accounting for 75 percent of the total. By the end of 1985, a total of 128 quality products had been chosen throughout the region. Of these, seven were awarded gold or silver medals by the state and 28 were presented with high-quality certificates by the ministries concerned. In 1985 the region's rate of high-quality products rose to 13.29 percent. The number of enterprises operating at a loss dropped from 66 in 1980 to 15 in 1985. None of the coal, machinery, building material, and medical enterprises are now operating at a loss. The profit rates for every 100 yuan's worth of fixed assets and for every 100 yuan's worth of output value of industrial enterprises have improved and the turnover of circulating capital has increased. In 1985 the profits or taxes of the local budgetary state-owned industrial enterprises increased by 66.4 percent over 1980, an average annual increase of 10.7 percent.

New successes have also been scored in transport and communications and in post and telecommunications. In 1985 the turnovers of railway freight and passengers respectively increased by 20.7 and 63.7 percent over 1980 and the turnover of highway passengers by 125 percent. The collective and individual transport undertakings in the urban and rural areas also developed fairly rapidly. They have played a positive role in speeding up the circulation of goods and materials. In particular, the scheduled flights between Yinchuan, Xian, and Beijing opened last year have facilitated exchanges between our region and other parts of the country. In 1985 the region's total business volume of post and telecommunications reached 10.87 million yuan, an increase of 100 percent over 1980.

3. We Have Fulfilled the Plan for Capital Construction and Further Strengthened the Material and Technological Foundation for National Economic Development

In the Sixth 5-Year Plan period, investments in the fixed assets of state enterprises reached 3.09 billion yuan. Of this, investments in capital construction were 2.05 billion yuan, investments in technological transformation were 1.04 billion yuan; investments in newly increased fixed assets were 1.42 billion yuan. More than 3,000 projects, including 19 big and medium-sized ones, were completed and commissioned. In the 5-year period, the installed generated capacity increased by 100,000 kilowatts, coal mining by 529,000 tons, chemical fertilizer by 13,180 tons, and cement by 467,000 tons. We have built or repaired 400-plus km of highways, erected 325 km of power transmission lines of more than 110,000 volts, increased 6,000 wool spinning spindles, and expanded the irrigated area by 480,000 mu. A number of industrial projects, such as the Yinchuan No. 2 Woolen Mill, Yinchuan Woolen Strip Mill, Yinchuan Polyester Plant, Pingluo Sugar Refinery, Ruqigou Coal Mine, and the extension project of Gingtongxia Cement Plant, have been completed and commissioned. They have begun to yield results. The Guhai pumping station, which has basically been completed, is irrigating nearly 200,000 mu of land. The completion and commissioning of the Ningxia-Gansu power network project have put to an end a long-standing situation marked by the solitary operation of the region's power network. The No. 1 generator at the Dawukou Power Plant, with a capacity of 100,000 kilowatts, has gone into operation. The construction of the Ningxia Chemical Plant, a key project using foreign technology, officially started in May 1985. The construction of a number of key capital construction projects and technological transformation projects is in full swing. Our successes in capital construction and technological transformation during the period of the Sixth 5-Year Plan have not only stimulated the sustained and steady development of our region's economy at a relatively high speed but also provided the strength needed for economic development in the Seventh 5-Year Plan period and the 1990's.

4. The Financial Situation Has Further Improved; Bank Credit and Insurance Undertakings Have Registered New Developments

In the Sixth 5-Year Plan period, our region energetically conducted reform of the financial and taxation structures, opened up all financial resources, tried by every possible means to raise funds, adjusted the financial distribution structure, made rational arrangements for financial expenditures, tightened capital control, and thus further improved the financial situation. In 1985 the local revenues were 290 million yuan, an increase of 42.8 percent over 1980 or an average annual increase of 7.4 percent. Over the past 5 years, we have received 960 million yuan in local revenues, overfulfilling the quota laid down in the Sixth 5-Year Plan 1 year ahead of schedule.

By encouraging various kinds of deposits, opening up the financial resources, and raising, and promoting the flow of capital, the People's Banks at all levels and all the specialized banks managed to maintain a favorable balance of 1.85 billion yuan of various deposits at the end of 1985, an increase of 177 percent over 1980. The balance of various credits was 2.17 billion yuan, an increase of 160 percent over 1980. The growth and extensive use of credits have played an important role in promoting the development of industrial and agricultural production and the circulation of commodities.

The people's insurance undertakings have played a positive role in fighting natural disasters, providing disaster relief, supporting production, and protecting the lives and property of the people.

5. By Adhering to the Policy of Opening Up in Construction and Smashing the Closed Economic Pattern, We Have Attained Initial Results in Introducing Investment from Abroad and Establishing Lateral Ties at Home

In the Sixth 5-Year Plan period, we energetically launched economic and technological cooperation with fraternal provinces, municipalities and autonomous regions. We have signed 1,009 economic and technological cooperation contracts with 21 provinces, municipalities and autonomous regions, and a dozen or so universities, colleges, and scientific research institutes. Of the 107 letters of intent on joint investment and construction, which provide for the lateral flows of capital through such methods as cooperative ventures and compensation trade, we have allocated, or started to use, cooperative funds amounting to 102.28 million yuan in the construction, extension, or transformation of 15 enterprises. Of the 902 technological cooperation contracts, 630 have been implemented or fulfilled. Introducing advanced technologies, techniques, equipment, and managerial skills from other provinces and regions in light of the local conditions has played an important role in urging the enterprises in our region to make the most of their existing potential, to carry out technological transformation, to make technological advances, to improve product quality, and to increase their ability to compete. Through cooperation we have also set up a number of township enterprises, which stimulate the development of the rural commodity economy and the readjustment of production setup in our region. Meanwhile, we have also employed over 300 middle school teachers and over 500 engineering and technical personnel from other provinces and regions to teach or to pass on their skills and experiences in our region. The fraternal provinces and regions have also trained for our region a large number of college graduates, teachers, and medical workers. Moreover, through cooperation we have delivered from or to our region various kinds of materials worth more than 80 million yuan in the past 2 years. This has helped adjust our deficiency and surplus and supported our production and construction.

In line with the principle of "supporting the development of the mountain areas with that of the plain areas and encouraging them to support each other" laid down by the regional CPC committee, we have vigorously developed lateral economic combination and technological cooperation between cities and counties and have achieved notable results. In the meantime, lateral combinations among large and medium-sized key enterprises, scientific research units, and small enterprises have been more frequent, extensive, and diversified. According to incomplete statistics, 21 large and medium-sized key enterprises have embarked on the road of spreading their products and doubling their output. In an effort to develop themselves, many enterprises have adopted the method of close or loose combination among themselves or with scientific research units. By making the best possible use of one's favorable conditions and promoting simultaneous development, we can expect the embryonic forms of various new economic combinations to take shape in our region, which will stimulate the rationalization of our economic structure.

In the Sixth 5-Year Plan period, considerable achievements were attained in foreign trade. We have so far established trade relations with 50-plus countries and regions and conducted our own import and export business. Over the past 5 years, we have earned $75 million in foreign exchange through direct export. In 1985 the foreign trade departments and enterprises and the production enterprises worked in close coordination, tried by every possible means to readjust the commodity structure, changed the methods of operation, and energetically opened up new international sales markets. In spite of export commodity shortages, they managed to earn $31.53 million in foreign exchange through export, topping all previous records and increasing by nearly 600 percent over 1980. The number of export commodities has exceeded 100. The export of high-quality anthracite has increased considerably. In 1985 our region exported 195,000 tons of anthracite and earned $15.59 million in foreign exchange. The proportion of industrial and mining products in the export commodities was more than 70 percent, thus changing the previous situation whereby we chiefly exported farm, sideline, special, and native products.

We have initially opened up a situation in introducing foreign capital and technology and developing international economic and technological cooperation. In line with the special features of the nationalities in our region, a Ningxia Muslim goodwill mission has made a successful visit to six Middle East countries. We have sponsored various activities, such as holding an international economic and technological cooperation symposium. We have stepped up friendly exchanges between our region and the Arab countries and increased our mutual understanding, thus laying a foundation and opening up new channels for the development of economic and trade cooperation and of cultural and technological exchanges. During the Sixth 5-Year Plan period, we signed contracts for the imports of 59 technological projects worth $37.7 million. We also signed contracts on the use of foreign capital and on compensation trade totaling more than $12 million. By importing the world advanced technologies of the late 1970's and early 1980's we have not only developed a number of new products but also transformed a number of outdated enterprises, thus notably improving the technological level and the economic results.

In the Sixth 5-Year Plan period, new achievements were also attained in foreign affairs, tourism, and overseas Chinese affairs.

6. New Achievements have been Attained in Education, Science and Technology, and Culture

In the Sixth 5-Year Plan period, educational expenses increased at an average annual rate of 16 percent. The proportion of educational expenses in the region's total expenditures was higher than the average national level. The number of universities and colleges has increased from four to seven and the number of students has increased by 48.2 percent over 1980. Over the past 5 years, we have trained over 5,900 professionals of all kinds. There are now 436 middle schools and the number of middle school students has increased by 6.3 percent over 1980. New headway has been made in making primary education universal. There are now 4,359 primary schools throughout the region and the number of pupils has increased by 12.1 percent over 1980. Primary education has been made universal in Zhongwei and Helan counties. Nationality education has been gradually stressed and the proportion of pupils of minority nationalities in various levels and types of schools has increased considerably. The structure of secondary education has been initially adjusted. There are now 29 vocational and technical schools offering 48 specialties to more than 10,000 students. They have provided our society with a number of laborers with both education and skills. Notable achievements have also been attained in the education of workers and staff members and of peasants.

We have made gratifying headway in science and technology. Our science and technology work is geared to the needs of economic construction and is oriented toward popular application, technological introduction, and new fields of study. We have conducted investigation of natural resources and designation of agricultural zones, popularized the cultivation techniques of high- and steady-yield wheat and rice on large areas, energetically improved grass growing and tree planting in the mountain areas in the south, studied the exploitation and use of various resources, such as coal and gypsum, and concentrate our forces on tackling major technological problems in combination with production and construction. In the Sixth 5-Year Plan period, 300-plus scientific and technological inventions were given awards by the autonomous region and four were awarded national-level prizes for scientific and technological progress. Applications have been submitted for the patent rights of a number of inventions. More than 80 percent of the scientific and technological inventions have been applied and popularized. They have begun yielding economic results.

7. With Brisk Buying and Selling, the Market is Prosperous and the Living Standards of the Urban and Rural Population Have Universally Improved

In the Sixth 5-Year Plan period, a commodity circulation structure with open urban and rural markets, multiple channels, and fewer links began to take shape in our region. This has stimulated commercial development and market prosperity. In 1985, there were more than 34,000 state, collective, and individual shops, an increase of more than 500 percent over 1980; and total volume of retail sales was 1.53 billion yuan, up by 90.5 percent. There are 170-plus trading centers in the urban and rural areas. With a total turnover increasing by more than 300 percent over 1980, they have played a positive role.

On the basis of increased production, the living standards of the urban and rural population have notably improved. According to a sample survey, the annual per-capita outlays of urban residents on personal living expenses were 673 yuan in 1985, an increase of 53.5 percent over 1980 or, after allowing for price increases, an average annual increase of 5.1 percent; the annual per-capita net income of the peasants was 326 yuan, up by 86.1 percent over 1980 or, after allowing for price increases, an average annual increase of 10 percent.

The balance of savings deposits by urban and rural population was 800 million yuan, an increase of 369 percent over 1980, the consumption level of the people has notably risen and the number of households owning durable consumer goods has notably increased. The housing conditions of the urban and rural population have improved considerably.

8. Reform of the Economic Structure has Developed in a Sound Way and the Economic Field has been Brimming with Vitality

In the Sixth 5-Year Plan period, in line with the plans of thw CPC Central Committee and the State Council and by relying on the enthusiasm and creative spirit of the vast numbers of cadres and people, we energetically and cautiously pushed forward the reform of the economic structure. On the premise of adherence to the socialist system of collective ownership, we instituted, in the rural areas and in an all-round way, a series of reform measures based on the system of contracted responsibility on the household basis, with remuneration linked to output, and adjusted the relations of production in the rural areas. This has greatly aroused the initiative of the peasants for socialism and brought an unprecedented scene of prosperity to the rural economy.

Fellow Deputies,

While summing up the success of our region in economic and social development, we should soberly note the numerous difficulties and problems in our path. There are also certain shortcomings and errors in our work. The level of economic development in our region is still fairly low, our agricultural foundation is still quite weak, our ecological and production conditions are still relatively poor, particularly in the mountain areas in the south, and the living standards of a number of people is still quite low. There is still an apparent gap between the economic results of our enterprises and those of the nation as a whole in the fields of production, construction, and circulation. We have not been able to turn many of our advantages in natural resources into economic advantages. The training of capable persons cannot meet the needs of socialist modernization. The shortages of some raw materials, insufficient railroad capacity, and uncoordinated infrastructure are still factors restricting the region's economic development. Lacing foresight, the regional people's government has failed to conduct a thorough investigation and study and to solve some problems in good time. In exercising macroeconomic control, we still lack strong measures and effective supervision. The reduction of grain output in 1985 was due to natural disasters. It was also caused by the shortcomings in our work. For a time last year we did not pay sufficient attention to grain production. We should face up to these difficulties and problems, sum up our experience and, in light of the practical conditions in Ningxia, self-reliantly carry out hard struggle and act within our capabilities. We should pay attention to practical results, make further efforts to do a good job of various reform and construction tasks, and consolidate and develop the excellent situation created in the Sixth 5-Year Plan period so that our national economy will steadily advance along the path of all-round and sound development centering on the attainment of better economic results.

II. The Guiding Idea and Basic Tasks in the Seventh 5-Year Plan Period

The Seventh 5-Year Plan covers a crucial period. The guiding idea for our region's economic and social development is to further implement the important instruction of the central leading comrades that "Xingxia should bring about an upswing ahead of others," to continue to carry out the basic policy of "invigorating the domestic economy and opening up to the outside world" and, with the spirit of pressing ahead and at a realistic and prudent pace, to promote the development of our region's economy along the track of a benign circle, which is full of vigor and vitality and is highly efficient and effective. The basic task of our region in the Seventh 5-Year Plan period are: 1) Under the unified leadership and arrangement of the central authorities, we should make further efforts to create a fine economic and social environment and strive to maintain a basic balance between aggregate social demand and aggregate social supply so that the reform of the economic structure, with the focus on the urban economy, can be conducted more smoothly. 2) We should pay close attention to the work of tapping the potential of, and transforming, the existing enterprises and production facilities, make proper arrangements for a number of key projects, such as energy, transport, raw materials, and water conservancy, continue to step up the development of intellectual resources, open wider to the outside world and, on the basis of improving economic results, strive for a higher economic growth rate than the national average in order to provide the strength needed for the continued economic and social development in the 1990's. We should adopt effective measures to vigorously help the mountain areas in the south to change their poverty. 3) We should continue to improve the people's living standards on the basis of increased production. Our specific objectives are: Calculated in terms of constant prices of 1980, the region's total industrial and agricultural output value will reach 5 billion yuan in 1990, an increase of 51.5 percent over that of 1985, and the region's GNP will come to 4.1 billion yuan, an increase of 52.5 percent. This represents a 1.3-fold increase over 1980, achieving the goal of quadruplication ahead of schedule. Local revenues will reach 420 million yuan, an average annual increase of 7.9 percent for the period in question. The per-capita consumption level of the urban and rural residents will increase by an average of 5 percent annually.

To ensure the smooth achievement of the above-mentioned objectives, we should concentrate on considering and studying the following problems in economic construction:

1. While Working for Better Economic Results, we Should Fix an Appropriate Rate for Economic Growth so that the Economic Construction Can Develop in a Steady, Stable, and Balanced Way

Fixing an appropriate rate for economic growth for the Seventh 5-Year Plan period is very important to increasing the economic strength and improving the people's standard of living. The draft Seventh 5-Year Plan provides that the region's total industrial and agricultural output value should increase by an average of 8.7 percent. Of that total, the value of agricultural output will rise at an average annual rate of 6.8 percent, while the value of industrial output will rise at a rate of 9.6 percent. The GNP is to increase by an average of 8.8 percent annually. We have many favorable conditions to achieve such growth rates. We have shifted the strategy for economic development to the path of stressing the attainment of better economic results, of taking agriculture as the foundation and the energy and high energy consumption industries as the focus, and of speeding up the development of consumer goods industry. Our region is rich in natural resources, which constitutes favorable natural conditions for economic development. The per-capita areas of cultivated land, irrigated land, and grassland in our region are higher than the national average. This has provided favorable conditions for the development of mass agriculture. Our rich energy and nonmetallic mineral resources make it possible for us to concentrate on developing the energy industry, the high energy consumption industry, and the building materials industry and to promote the rapid development of industry as a whole. Regarding the economic operation mechanism, with the in-depth development of the economic restructuring and the continued implementation of opening the region to domestic businesses and overseas investors, the socialist market will be continuously expanded and various forms of lateral ties will be increasingly strengthened. This will open up a broader path for the development of the productive forces. Taking into consideration the fact that a number of large and medium-sized projects will be completed and commissioned during the Seventh 5-Year Plan period, as well as other factors, such as the technological transformation of existing enterprises and the rapid development of township enterprises, the rate of economic growth as provided in the Seventh 5-Year Plan can be reached provided that we strive to do our work well.

In an effort to successfully achieve the above-mentioned objectives, the draft Seventh 5-Year Plan has made the following arrangements for industrial and agricultural production:

In agriculture, total rural product of society in 1990 will reach 2.6 billion yuan and total agricultural output value will reach 1.4 billion yuan. Grain output will reach 1.75-1.85 million tons and the gross output value of township enterprises will reach 1 billion yuan. We must conscientiously implement the strategic principle of taking agriculture as the foundation of the national economy and rely on policies, science, and technology investment in agriculture. On the premise that grain production should never be relaxed, we should vigorously develop diversified undertakings, adjust the production setup, develop commodity production, promote the development of commodity production centers, particularly the development of comprehensive commodity production centers by enterprises built on reclaimed wastelands, and increase the accumulation capability of agriculture. We should unswervingly promote the construction of agricultural infrastructure and speed up the development of two new irrigated areas covering 1 million mu each. We should speed up the completion of Guhai pumping station and the construction of Yanhuanding pumping station. Great efforts should be made and numerous measures should be taken to solve the problem of drinking water for both men and animals in the mountain areas in the south. We should vigorously grow grass and plant trees, integrate the development of agriculture with that of forestry and animal husbandry, and energetically develop animal husbandry. Continued support should be given to township enterprises and the focus of development should be placed on processing industry with farm and sideline products as raw materials, as well as on mining, building materials, and other service industries.

In industrial production, while working for better economic results and product quality, we should strive to increase the total industrial output value to 3.6 billion yuan in the last year of the Seventh 5-Year Plan period and to achieve a sizable increase in output value, profits or taxes, and revenues. Further efforts should be made to invigorate large and medium-sized enterprises and to instil vitality into enterprises in general. There are now 36 large and medium-sized enterprises in our region. With their output value and profits or taxes accounting for more than 50 percent of the region, they are the leading force of our region's economy and the mainstay of local revenues. Invigorating these enterprises and increasing their ability to accumulate capital, to initiate reforms, and to grow on their own is of vital importance to the development of the region's economy as a whole. For this reason, it is necessary to resolutely implement the stipulations of the State Council on expanding the decision-making power of enterprises and invigorating large- and medium-sized state industrial enterprises and to make further efforts to streamline administration and institute decentralization so that the enterprises can become genuinely independent socialist commodity producers and dealers. It is necessary to create a favorable external environment for the invigoration of enterprises, to adjust or reduce the regulation taxes of some large- and medium-sized enterprises in a planned and systematic way, to increase the rate of depreciation, and to use this fund principally on the technological transformation of enterprises. We should resolutely curb the practice of indiscriminately setting quotas and apportioning expenses to enterprises and strive to reduce their social burdens.

Vigorous efforts should be made to promote technological advances among the enterprises. We should strive to complete technological transformation in more than half of the large- and medium-sized enterprises within 5 years. Conscientious efforts should be made to develop technology based on new products and new techniques and to popularize the application of new technology in order to raise to a new level the technological capability of the enterprises throughout the region. In the Seventh 5-Year Plan period, we should develop more than 1,000 new products and create 170 brand-name, high-quality products. The major products of all large- and medium-sized enterprises should be upgraded. Particular attention should be paid to developing the production of textile, paper, food, drink, and other manufactured goods. We should organize forces to digest and assimilate the technology imported during the Sixth 5-Year Plan period in order to bring their benefit into full play.

Vigorous efforts should be made to strengthen enterprise management. Technology is backward in our region and management is even more so. In the Seventh 5-Year Plan period, we should concentrate our efforts on strengthening enterprise management and work conscientiously to achieve successes. The focus of enterprise management should be placed on improving product quality, reducing consumption, and attaining better economic results in an all-round way. We should extensively institute the system of all-round quality management and strengthen quality control and standard measurement. Great efforts should be made to save on energy and to reduce consumption so that the technological indexes and the material consumption indexes of the major products of most state industrial enterprises can be considerably improved or raised in the Seventh 5-Year Plan period. We should continue to conduct reform of the leadership structure, energetically institute the director (manager) responsibility system, and promote other necessary reforms in the enterprises. We should improve foundation work and energetically practice modern management. We should also do a good job of trade planning and management.

The departments in charge of comprehensive economic management and the responsible departments should do a good job of coordinating and balancing energy and transport. They should satisfactorily solve such questions as the shortage of raw materials and circulating capital, do a good job of market forecasts, maintain a balance between supply and demand, speed up the adjustment of product mix, and genuinely organize production according to social needs. In the Seventh 5-Year Plan period, there will still be an acute strain on transport in our region. The railroad and highway transport departments should try by every possible means to tap potential and to increase transport capability. They should make particular efforts to adjust the transport structure, to satisfactorily organize highway transport, and to ensure the needs of industrial and agricultural production and circulation, and the needs of the people in their daily life.

In line with the requirements of the draft Seventh 5-Year Plan, local revenues will increase at an annual rate of 7.9 percent. Efforts should be made to achieve a basic balance in local finance and credits. We should highly value the capital provided by the state and, while exercising effective control over the use of capital, strive to develop the economy and to open up all financial resources. Financial and tax departments at all levels should concentrate their efforts on improved methods of acquiring, accumulating, managing, and spending money, energetically support the development of new production fields, and help enterprises to make good arrangements for their funds, to improve economic results, to turn deficits into profits, and to eliminate operational losses. It is necessary to strengthen the work of collecting and managing taxes. Further efforts should be made to enforce financial discipline, to strictly control expenditures, to encourage thrift and hard work, to oppose extravagance and waste, to cut down administrative expenses, and to reduce the purchasing power of social groups. Because the proportion of extrabudgetary capital is very large, it is necessary to bring it into the orbit of macroeconomic development through rational organization and guidance. Particular efforts should be made to strengthen the important functions of the banks in macroeconomic management and, through the reform of the banking system, to gradually establish a powerful and flexible monetary control and regulatory system, to bring into full play the role of the banking system in raising and accommodating funds, guiding the flow of capital, and regulating social demand, and to raise the utilization rate of capital.

2. Conscientiously Strengthen Control over the Scale of Investment in Fixed Assets, Rationally Adjust the Investment Patterns, and Strive to Improve the Investment Results

In the Seventh 5-Year Plan period, the state sets the scope of investment in fixed assets for state units in our region at 3,893 million yuan. Of this total, investment in capital construction is set at 2,807 million yuan, investment in upgrading and transforming enterprises at 816 million yuan, and investments in other fields at 270 million yuan. In the first 2 years of the Seventh 5-Year Plan period, investment in fixed capital will generally be maintained at the 1985 level and, in the last 3 years, will be appropriately increased. Controlling investment in fixed assets, particularly in capital construction, at a rational level and achieving a basic balance between aggregate social demand and supply constitute a fundamental condition for ensuring correct proportions among different branches of the economy and a stable economic life. To this end, it is necessary to strengthen centralized and unified management over investment in capital construction by state units. As of 1986, with the exception of middle and primary schools, kindergartens, normal schools, and teachers colleges built with the funds of local authorities and enterprises, all other projects must be brought into line with the scope of investment in capital construction and controlled by different means. Local budgetary investment using bank credits instead of state allocations will be placed under the unified arrangement of the regional economic commission. It is necessary to bring the scope of self-raised funds under strict control and to strengthen guidance and control over investments by collective units and individuals in the urban and rural areas.

We should rationally adjust the investment patterns so that the basic industries, infrastructure, and processing industry, as well as construction projects either related or unrelated to production, can develop in a coordinated manner and improve the investment returns. This is an important task of managing investment in fixed assets in the Seventh 5-Year Plan period. The main purpose of this task is: 1) We should bring into full play our region's favorable conditions in natural resources, vigorously devleop the energy industry centering on coal and electricity, and energetically develop metallurgical, building materials, chemical, and other raw materials industries, and textile and other light industries. We should do a good job of key construction projects, such as the Dawukou Power Station, Gingtongxia Aluminum Plant (expansion), Ningxia Chemical Plant, Daba Power Plant, the Shizuishan No. 3 well, Baijigou Mine (extension project) at Shitanjing, Ningxia Ferroalloy Works, Ningxia Oil Refinery, Gingtongxia Sugar Refinery, and the second-phase project of Yinchuan Polyester Plant. After these projects are completed and commissioned, they will increase output value by 1,160 million yuan and profits or taxes by 48 million yuan. They will also increase generated electricity by 600,000 kilowatts, the output of coal by 1.4 million tons, aluminum ingots by 100,000 tons, ferroalloy by 50,000 tons, synthetic amonia by 300,000 tons, cement by 230,000 tons, sugar by 25,000 tons, and fine wool fabric by 1.5 million meters, and the capacity to refine crude oil by 750,000 tons and to irrigate 240,000 mu of land. We have developed various production centers, such as anthracite, electricity, aluminum, ferroalloy, and carbon products. Preparations should be made for such key construction projects as Lingwu coalfield, the feeder railway line to Lingwu, and Baige Airport in Yinchuan. The new Yinchuan railway station is to be completed before the 30th anniversary of the founding of the autonomous region. It is necessary to set up the construction of highway transport networks. While transforming the existing trunk highways, we should complete the mountain highway along the Helan Shan, the Huang He bridge in Shizuishan, and the Heifenggou bridge in Tongxin. We should adopt numerous methods, such as "run by the local people and subsidized by the state," to speed up the construction of roads in counties and townships. Efforts should be made to step up the construction of telecommunications facilities, to improve telecommunications lines in the rural areas, and to use social force to increase the transport capacity of the post and telecommunications departments. 2) Proper limits should be set on the growth of investment in nonproduction construction projects so that the same amount of investment can generate greater production capacity. Our financial resources are limited and we have to rely on generous allowance from the state every year. For this reason, we cannot set excessively high or urgent demands on nonproduction construction projects. With the exception of the necessary tourist facilities, it is necessary to reduce the scope of construction for building auditoriums, and halls, and to properly limit the construction of residential houses. The focus of urban municipal construction should be placed on infrastructure in the service of production and people's daily life. Other construction projects can be appropriately carried out only when we can afford them. 3) The funds for upgrading and transforming enterprises should be used in technological transformation of enterprises; they should not be used in capital construction projects. The focus of technological construction should be placed on improving product quality and properties, increasing variety, reducing material and energy consumption, stepping up the ability to earn foreign exchange through export, and increasing the output of readily marketable products. We should not expand capacity to produce goods in excess supply. 4) It is necessary to properly increase investments in agriculture, science, and education.

In the Seventh 5-Year Plan period, we should arrange construction projects in strict accordance with the principle of "acting within our capabilities." At the same time, we should conscientiously make preparations for projects by establishing a system of seeking advice for, assessing, and examining the projects and gradually organize all construction projects according to a rational time limit. Energetic efforts should be made to institute various forms of the contracted investment responsibility system and the system of inviting and submitting tenders for construction and design, to further improve design and construction management, and to gradually change the situation marked by numerous construction projects, long construction cycles, and poor investment returns. It is also necessary to conscientiously sort out the projects under construction. Those projects which do not have the necessary conditions for construction and production, which yield poor economic results, and which apply backward technologies and techniques, as well as those unnecessary, duplicated construction projects, should be resolutely suspended.

3. Vigorous Efforts Should be Made to Develop Science, Technology and Education

The fulfillment of the Seventh 5-Year Plan and the rejuvenation of the Ningxia economy depend on the development of science, technology and education. A key to narrowing the technological and management gaps between our region and other parts of the country and foreign countries lies in the development of intellectual resources and the training of capable personnel. We should attach strategic importance to the development of intellectual resources and the training of capable personnel, which is a task of overall importance, and make conscientious efforts to do it well.

In the Seventh 5-Year Plan period, we should conscientiously implement the principle that "economic work must rely on science and technology and scientific and technological work must be geared to the need of economic construction," vigorously spread and apply scientific and technological inventions, adopt advanced and suitable technology, and transform the traditional industries. We should organize forces to tackle major scientific and technological problems vital to our economic construction and social development, particularly the breeding of improved varieties of major crops, fowl, and livestock, regional comprehensive improvement, the utilization of coal, nonmetallic ores, and other natural resources, and intensive processing of farm and sideline products. We should strive to attain major achievements in scientific research and quickly transform them into practical productive forces. Conscientious efforts should be made to carry out the "Spark Plan," to develop suitable technology characterized by a "short construction cycle, small investment, and quick economic returns," and reinforce township enterprises and small- and medium-sized enterprises. We should pay close attention to fulfilling the tasks laid down in the plan, such as the five key fields of development, the 63 standby projects, and the training of 15,000 technicians. It is necessary to develop various technological markets, to improve the circulation of technological inventions, and to vigorously develop entities combining scientific research, teaching, and production.

In the Seventh 5-Year Plan period, we should energetically and steadily develop educational undertakings in our region on the basis of conducting the reform well and improving the teaching quality. We should make a clear-headed appraisal of the situation marked by the largest number of children entering kindergartens and schools in the near future, the low proportion of school-agers, and the poor teaching quality. We should proceed from the development of child-care centers and kindergartens and preschool education and, on the basis of consolidating and universalizing primary education, carry out 9-year compulsory education energetically and systematically from one locality to another. We should make primary education universal in Yinchuan and Shizuishan by 1988 and make secondary education universal by 1990. Primary education should be made universal in other cities and counties of the plain area by 1990 and great efforts should be made to increase the proportion of school-agers entering schools or schools of a higher grade in the mountain areas in the south. We should continue to adjust the structure of secondary education, vigorously develop vocational or technical education, and strive to increase the number of students of various vocational and technical schools pursuing senior middle school courses in cities, in most counties irrigated with the waters of the Huang He, and in plants, mines, and other enterprises, so that they will be more or less equal in number to the students recruited by senior middle schools. Vigorous efforts should be made to develop adult education and to step up the part-time training of personnel in order to improve their cultural and professional competence. At the same time, we should reform the labor employment system in line with the principle of giving pre-employment training. Further efforts should be made to reorganize and improve higher education, to concentrate our forces on running existing institutions of higher learning well, to rely on the tapping of potential to increase the number of students, and to pay more attention to adjusting the structure of higher education and improving the quality of education. It is necessary to vigorously develop various forms of higher education, such as radio, television, correspondence, sparetime education, and independent studies, in order to train a large number of high-level professionals for our economic construction. We should continue to adopt special policies and effective measures to speed up the development of higher education and to continuously raise the cultural level of the minority nationalities.

4. Make Efforts to Blaze a New Trail in the Work of Opening Up to the World, Energetically Expand Foreign Trade as well as Economic and Technological Exchanges

Energetically improving our ability to increase foreign exchange earnings through exports is the key to opening our region wider to the outside world, to developing international economic and technological cooperation, to making further technological progress, and to invigorating the economy. During the Seventh 5-Year Plan period, the total value of our region's foreign trade and exports will increase by 29 percent annually on the average and will amount to $115 million by 1990. To realize these targets, we should adopt a correct strategy with regard to the mix of our export commodities, the arrangements for producing export commodities, and the exploration of the international market, and this strategy should be suited to the demand of the international market and our region's actual conditions. We should continue to expand the exports of agricultural, sideline, and native products such as rice, Chinese wolfberries, licorice roots, hair-like vegetables, asparagus, ferny vegetables, wickers, sheepskin, and carpets, as well as textile and other light industrial products. We should bring into play the superiority of our region's energy and resources, energetically expand the exports of Taixi coal and iron alloy, coal chemicals, and tires, and build a 1-million-ton anthracite export basis by the end of the Seventh 5-Year Plan period. These are keys to realizing the above foreign trade and export targets. We should place the development of export machinery and electrical products in an important position and gradually expand the exports of ball bearings, numerical control machine tools, and material testing machines. We should strive to explore the exports of new products, improve the quality of products, and develop key products so that they form the mainstay of our region's export commodities. We should gradually shift from the exports of raw materials and elementary products to the exports of manufactured products and from the exports of roughly processed products to the exports of intensively processed products. In the course of consolidating and developing trade with Hong Kong, Macao, Western Europe, and Japan, we should expand our trade with the Soviet Union, Mongolia, and East European countries. In particular, being a Hui nationality region, our region should find a way into the Middle East market. We should rationally arrange the production of export commodities, build a number of production bases for export commodities, specialized factories (sites), specialized mines, and specialized workshops, and form a production system for industrial and agricultural export products with local characteristics. We should work out and implement the policy which encourages the production of export commodities and helps increase foreign exchange earnings. Economic and trade departments should use both economic and administrative means to strengthen the region's foreign trade work and their leadership and management over foreign trade enterprises, bringing into play the initiative of these enterprises and persisting in a unified foreign trade policy. We should build a foreign trade information network, perfect the sales and service network, and fully display the role information and circulation channels.

During the Seventh 5-Year Plan period, we will open our door wider, adopt preferential policies, introduce more foreign capital, import more advanced technology, and expand our labor service cooperation with foreign countries and the work of contracting for projects abroad. In using foreign capital, we should be both active and cautious, earnestly engage in the feasibility study of projects, and take full account of the region's ability to repay foreign debts. The use of foreign capital should be concentrated on the construction of basic facilities such as energy and communications. In the course of introducing advanced suitable technology, we should carry out technical transformation in our enterprises, make priority arrangements for the production of small import substitutes which help increase foreign exchange earnings, and pay attention to assimilating and absorbing the technology introduced. We should develop our friendly cooperation and relations with Islamic countries, and in particular with Islamic countries in the Gulf area in the Middle East. We should also expand our labor service cooperation and economic and technological exchanges with them. In addition, we should energetically build more scenic and tourist spots.

For Ningxia, it is easier to open up to other provinces than to the world. Therefore, we should focus more attention on opening up to other provinces and on developing lateral economic integration in and outside the region. We should be aware of the fact that our region has many favorable conditions for developing lateral economic integration: 1) Quite a number of large- and medium-sized enterprises which were transferred from the coastal areas in the 1960's maintain close ties with old factories and cities in the eastern coastal areas in terms of production, technology, and sales; 2) a number of key enterprises have the superiority of developing lateral economic integration, producing brand-name products, and forming group enterprises; 3) quite a number of small enterprises and township enterprises which are operating with the support provided by the coastal areas are gaining experience in forming lateral economic integration; and 4) there are rich resources of coal, electric power, mineral products, as well as agricultural, forestry, animal husbandry, and sideline products. We should make full use of these favorable conditions and expand our crosswise economic cooperation with other provinces and regions and the coastal cities so as to increase our vitality and improve our competitiveness. We should break away from the confinement of regions, trades, departments, and ownership systems and develop multi-tier, multi-channel, and multi-form integration. We should further implement the principle of "enabling riverside areas to bring along mountainous areas" and should promote integration and cooperation between cities and counties, between urban and rural areas, and between riverside and mountainous areas. Cities and counties in the region should bring their superiority into full play and strengthen their cooperation and integration in the fields of production, circulation, science, and technology and in using talented people, so as to develop the region's economy. Enterprises should carry out various forms of integration under the principle of "mutual benefit and common development" and on the basis of voluntary participation. We should energetically develop enterprise combination bodies with large- and medium-sized enterprises as the backbone, and brand-name products playing the leading role. We should give more guidance to and strengthen the management of lateral economic integration and work out policies and measures for encouraging economic integration.

5. Strengthen Leadership, Adopt Effective Measures to Promote Economic Development in the Southern Mountainous Areas and to Change the Backward Features of These Areas as Soon as Possible

The southern mountainous areas have witnessed economic development over the past few years but have not freed themselves from poverty. We should adopt a correct policy and measures to change their production and transportation conditions, to speed up their economic construction, and to solve their problems of having enough to eat and wear."

6. Continue to Improve the People's Material and Cultural Life on the Basis of Developing Production

During the Seventh 5-Year Plan period, we should constantly enhance the consumption level of the urban and rural people by developing production and improving economic results. The peasants' per capita annual net income from production has been planned to increase by 7.2 percent and to reach 400 yuan by 1990. The average wages of staff and workers will register an annual increase of 4.9 percent. Employment will be given to 110,000 people in cities and towns. During the 5 years, the region's per capita consumption level will increase by about 5 percent, basically in harmony with its per capita national income. We should correctly understand the relationship between production and consumption and that production, construction, and the improvement of livelihood should coordinate with each other. We should do a good job in ideological and political work so that the masses understand that the standard of living can be improved only step by step. Only by developing production and producing better economic results, can we improve the people's livelihood. On no account should we have excessive demands for the improvement of life.

To improve the people's livelihood, we should organize the production and supply of consumer goods in line with the needs of the people. We should do a good job in the production of vegetables, meat, eggs, milk, and fruit so as to guarantee the supply of these products for the urban and rural markets. Catering to the needs of the market, industrial departments should conscientiously develop new varieties of products and explore new production categories apart from increasing the production of marketable products for daily use. They should seek sources of goods through various channels in order to meet the people's increasing needs and should, in particular, pay attention to transporting industrial products to the rural areas. State-run commercial enterprises should take an active part in regulating the market and controlling prices so that they can fully display their role in leading the market. Industrial and commercial administrative and managerial departments at all levels should strengthen their management over market places and resolutely stop lawless merchants and peddlers from engaging in deception, hiking prices, and harming the masses. Price control departments should rely on the masses in exercising management, inspection, and supervision over prices.

We should conscientiously develop various social undertakings so as to meet the people's increasing needs in cultural life. Cultural and art departments should produce more and better artistic works in order to enrich the people's cultural life. By 1990, telecasts will be made available to 80 percent of the region, and people in the riverside areas will have three channel selections for television programs. This year, we will strive to provide people in the southern mountainous areas with two television channels. We should extensively and profoundly launch the patriotic health campaign, further develop medical and public health work, and improve the people's health. We should continue to do a good job in family planning, to encourage the production of healthy offspring, to effectively control population growth, and to improve the quality of the region's population. We should energetically carry out mass sports activities, improve sporting skills, and do a good job in building sports facilities. We should form and perfect various insurance systems in line with the strains of the state, the collective, and the individual. We should gradually improve and perfect the social welfare system and further develop social welfare undertakings. We should strengthen environmental protection work, exercise effective control over pollution, do a good job in afforesting the urban and rural areas, and continue to improve the living conditions of the urban and rural people. Attention should be paid to the use of electric cookers on a trial basis. There is much coal in Ningxia, with which electric power can be produced for the benefit of the people. This work should start as early as possible with the support by the leading department of the central authorities concerned.

To successfully realize the Seventh 5-Year Plan, it is necessary to pay attention to the following points:

1. Strengthening the Socialist Legal System

Comrade Deng Xiaoping recently pointed out: "In carrying out the four modernizations, we must have dual tactics. These dual tactics refer to paying attention to construction and the establishment of the legal system." This is an important policy drawn up in line with the needs for the four modernizations on the basis of summing up the party's experience in socialist revolution and socialist construction over the past decades. It has provided a theoretical basis for our legal work in the new period. During the Seventh 5-Year Plan period, we should adapt ourselves to economic structural reform and the development of economic construction. Taking Comrade Deng Xiaoping's "dual tactics" as our guiding principle, we should devote more efforts to establishing the socialist legal system, and the socialist economic legal system in particular, and strive to realize the strategic target set by the national conference of party delegates that a "comparatively perfect economic legal system should be established during the Seventh 5-Year Plan period," so that we can make the legal system an important means for regulating economic relationships and economic activities.

2. Changing the Function of Government Organs to Manage the Economy, Energetically Improving Work Style

During the Seventh 5-Year Plan period, state management over enterprises will gradually shift from direct to indirect control. For this reason, government organs at various levels in our region should seriously implement the stipulations of the "Decision of the CPC Central Committee on Economic Structural Reform" concerning the eight functions of government organs in exercising economic management. They should further delegate power to the lower levels, gradually reduce their administrative intervention in enterprises, simplify intermediate administrative levels, shift their main efforts to overall planning, to ensuring the implementation of policies, to organizing and coordinating enterprises, to providing service, to applying economic regulatory means, and to exercising inspection and supervision. They must change the situation in which they lack experience in and methods for exercising macroeconomic control. According to the arrangements by the CPC Central Committee and the State Council, we should further reform government managerial organs at various levels in a planned way and step by step, simplify administration, strictly control the increase in the number of personnel in government organs and undertakings, and gradually form an administrative managerial system under which functional division is explicit, organs are coordinated, operation is flexible, and work efficiency is high.

3. Bring Into Play Forces in Various Fields, Promoting the Region's Economic and Social Development

To fulfill the tasks set by the draft of the Seventh 5-Year Plan and to enable the regional economy and other undertakings to rapidly develop within these 5 years, we should bring into play the initiative of people in various fields, enable the state, the collective, and the individual to go ahead in harmony, pool the wisdom and efforts of the masses, change the habit of relying on the state in investment and construction, and speed up the development of the economy, science, technology, and culture. Within these 5 years, the region should concentrate its financial and material resources on economic construction and reforms. Over the past few years, most of the cities, counties, and enterprises in the region have witnessed marked increases in their mobile financial resources. Therefore they can engage in local undertakings independently according to their economic capability. In using their mobile financial resources for construction, cities, counties, and enterprises should strictly observe the state's macroeconomic policies, take account of the overall results of the region's national economy, abide by the region's long-term plans, and avoid acting blindly. They can seek local interests on condition that they give consideration to the overall situation and do not harm the overall interests. Because the funds for state and regional key construction projects will continue to be short, it is necessary to encourage cities, counties, and enterprises to concentrate their funds on urgent state construction projects.

4. Devoting More Efforts to Socialist Spiritual Civilization

In carrying out material civilization, it is necessary to devote more efforts to socialist spiritual civilization. This is our long-term strategic principle. During the Sixth 5-Year Plan period, we did a great deal of work and achieved marked results in bringing about a fundamental turn for the better in party style, the general mood of society, and social order. During the Seventh 5-Year Plan period, we will continue to resolutely carry forward the two civilizations drive.

The development of reforms and construction has led to major changes in the people's economic life. It will also bring about profound changes in their ideas, spiritual life, and life style and require them to have higher political consciousness and better cultural accomplishments. In line with the requirements of the new historical period, we should strengthen ideological and political work and give more education concerning policies and the situation to cadres, staff members, and workers so that they correctly understand and implement the policies, principles, and measures of the state. We should eliminate the vestiges of feudal ideas, resolutely resist the decadent bourgeois ideas, bourgeois life style, and bourgeois liberalization, and oppose the idea and practice of "putting money above everything else" and seeking private gain at public expense. We should adopt various methods to carry out education in patriotism and collectivism, education in adhering to the four basic principles, and education in having lofty ideals, good morality, strong discipline, and more knowledge, so as to help cadres and the masses foster the great ideal of communism, observe social morality and professional ethics, and bring into play their great enthusiasm and pioneering spirit in building Ningxia. We should pay full attention to the education of the young. Schools, society, and families should closely cooperate in launching educational activities suited to the characteristics of young people and should educate young people to cherish great ideals and foster the spirit of dedication to the socialist cause. We should continue to carry out the activities of "five stresses, four beauties, and three loves" and of building civilized units. All departments engaged in the production and dissemination of spiritual products should straighten out their guiding principles, persist in the four basic principles, serve the people, give priority to social benefit, and produce more and better spiritual products.

Government organs at various levels should take the lead in strengthening socialist spiritual civilization and rectifying unhealthy practices. Government functionaries have done a great deal of work and made remarkable achievements in implementing the party's policies and principles, straightening out their work guidelines, holding firm to reforms, developing production, and servicing work at the basic levels. A large number of fine party members and cadres have emerged. The main trend is good. However, we should soberly understand that some government organs and departments still have quite a number of problems with their work style. Corrupt practices can even be found in these organs and departments. Some cadres are in low spirits, are seriously influenced by bureaucratism, and are irresponsible about their work. Some have a poor sense of organization, spread pessimistic feelings among the masses, and implement the party's policies and principles at will. Some have serious individualism and abuse their power for personal gain. Some appoint people regardless of party spirit or principles. Some take bribes. Some copy and show obscene videotapes. Although these practices are found among a small number of cadres, they have marred the reputation of government organs, harmed the general mood of society, and weakened the people's confidence in reforms and the four modernizations. We should adopt effective measures and resolutely correct these practices. The rectification of unhealthy tendencies and the elimination of corrupt practices should start from leading organs, and in particular from leading organs at the regional level. So far as leading cadres are concerned, leading cadres at the regional departmental and bureau levels should take the lead in rectifying unhealthy tendencies and eliminating corrupt practices. They should be strict with themselves and set a good example for others. Apart from not going in for unhealthy practices, responsible cadres at all levels should educate their children and relatives not to be involved in unhealthy practices. In addition, they should also subject themselves to the supervision by the masses. In examining unhealthy practices, we should be bold in breaking away from kinship and resolute in resisting the habit of interceding. Unhealthy practices should be seriously criticized and dealt with, no matter who is involved. A criminal offender must be dealt with according to law. On no account can a fine substitute for his crime, still less can a disciplinary punishment replace a criminal sanction.

In the course of spiritual civilization, we should further strengthen the unity between various nationalities and develop a socialist relationship between them. Government organs at all levels should conscientiously implement the law of regional autonomy on minority nationalities, correctly understand and carry out the party's policies on nationalities and religions, promote and strengthen the unity between the Han and minority nationalities and the unity between minority nationalities themselves, consolidate and develop the political situation of stability and unity, and create an excellent social environment for economic invigoration in minority nationalities areas.

Commanders and soldiers of the Ningxia Military District and army units stationed in Ningxia have made great contributions to defending the motherland, to streamlining and reorganizing the army, to strengthening their own building, to carrying out spiritual civilization in the army and the localities, and to supporting local economic construction. Public security officers have devoted their efforts to preserving social order. During the Seventh 5-Year Plan period, it is necessary to further strengthen the unity between the army and the government and between the army and the people and to draw up greater plans for Ningxia's construction.

Fellow deputies!

This is the first year of the Seventh 5-Year Plan. We should conscientiously consolidate, assimilate, enrich, and improve what we have achieved in reforms, strengthen and improve macroeconomic management, promote the stable development of the national economy and undertakings in various fields, and make a good beginning in implementing the Seventh 5-Year Plan.

So long as the people of various nationalities in our region are united and continue to work in the spirit of the old man who removed the mountains, the Seventh 5-Year Plan will be fulfilled to our satisfaction and the region's socialist modernization will forge ahead, thrive, and bring about changes day after day.

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ECONOMIC PLANNING

GUANGZHOU YANJIU ON URBAN DEVELOPMENT STRATEGY

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[Article by Li Mengbai [2621 1125 4101] of China Urban Science Association: "Urbanization and Urban Modernization in China"--first paragraph is introduction]

[Text] "With a change in the relations between town and country, the features of all society will also change." ("Poverty of Philosophy" by Marx, "Collected Works of Marx and Engels," Vol 4, p 159) Therefore, in studying social developments, we cannot do without the study of changes in urban and rural development and without the study of "urbanization" as a natural historical process of social development. With China's society in the new historical period of socialist modernization, the pace of urbanization is accelerating. The problem of urban modernization facing us has assumed increasingly serious proportions. This article is an attempt to link China's economic and social development with the study of the problem of China's urbanization and urban modernization, in order to arouse the attention of a large number of readers to this matter.

Cities' Role in Our Country's Modernization

As centers of a state or region, contemporary and modern cities generally have such superior features as industrial concentration, brisk trade, a proliferation of talent, thriving science and technology, a well-developed transportation system, easy access to information, an ample supply of capital, and so forth. Therefore, relatively speaking, they can always use a relatively small amount of labor in material form and live labor to realize relatively great economic results. In a relatively short period of time, they can organize large-scale production and circulation of commodities and support agricultural production and rural construction with various means of production, means of subsistence, necessary technology, information, and equipment, thus stimulating the development of the national economy as a whole.

Conditions of economic and cultural development in our cities also show that cities play an important role in urban economic and social development. According to statistics compiled of about 266 cities at the end of 1983, the combined population of these large and small cities accounted for 10 percent of the total national population. The number of workers employed by industrial enterprises and the original value of fixed assets respectively represented two-thirds of the state's total. The realized total industrial output value accounted for 84.6 percent of the state's total. Profits and taxes handed over represented 85.3 percent of the state's total. The total retail sales of social commodities accounted for 63 percent of the state's total. The number of teachers and that of students in institutes of higher learning respectively represented 95 percent of the state's total. The number of medical and health organs and that of hospital beds respectively accounted for more than 40 percent of the state's total. Most scientific and technical personnel were in cities. From this, it can be seen that cities play an unusually important role in the economic and social development of our country. In modernization, a doubling of industrial production chiefly depends on cities. A doubling of rural production calls for the overall development of mass agriculture and also for the support of cities. The realization of the modernization of science and technology in particular--which is the key to modernization in four respects--depends on cities all the more. In sum, the city is an important base for our building a high level of material civilization and socialist spiritual civilization. The proper handling of urban planning, construction, and management has a great bearing on the modernization of our country.

The Trend in the Development of Our Towns and Cities

Since the founding of the PRC, tremendous achievements have been scored in our urban construction effort. Cities left over from the old China have been transformed. There has been a purge of accumulated social filth of many years. Production has shown development. New spiritual civilization has been created. Qualitative changes have been brought about in these cities. Meanwhile, with the industrialization of the state, a number of new cities have been set up. The number of cities has doubled. In 1949, the whole country had only 140 cities officially established as such, and about 2,000 county towns or towns included in a system. The total city and town population stood at about 57.65 million, which accounted for 10.6 percent of the then total national population. By the end of 1984, the number of cities officially established as such throughout the country had risen to 300. The number of towns included in a system had shot up to 7,469. The total city and town population had reached 163.01 million, or 15.82 percent of the total national population.

The history of urban development in the 35 years since the founding of the PRC shows that our economic and social development is undergoing a process of urbanization. "Urbanization" is in the category of history. It has arisen with industrialization. It first appeared in Western Europe, the source of the contemporary industrial revolution, and then gradually caught on in various other continents, bringing about a quick increase in the number of cities in the world and the urban population. Given the different process and pace of industrialization in various countries, the pace of urbanization and the concrete road followed have varied. Many scholars in our country suggest that the term "urbanization" be changed to "chengzhenhua" [1004 6966 0553]. Instead of simply meaning concentration of the population in cities, the term should also take on the additional meaning of urbanizing the way of life of the rural population (including material and spiritual life). This means that people in the countryside can also enjoy urban civilization. I am in favor of this new interpretation. It embodies the hope of myriads of peasants for an improved standard of living. It is in line with the socialist goal of production and the Communist idea of eliminating differences between town and country and especially in line with the fundamental spirit of the call by Marx and Engels for "urbanization of rural areas" and "the integration of urban and rural areas" ("Collected Works of Marx and Engels," Vol 46 (Part i), p 480; Vol 20, p 321).

It should be pointed out that our current level of urbanization is not high. On the one hand, according to the 1982 census, our urban population constitutes only 20.6 percent of the national population (this figure includes the agricultural population in the suburbs of cities, different from other statistical figures listed above), which is much lower than in the developed countries. It is also very low when compared with the world's average, which is 42.2 percent. On the other hand, China has 20 super-large cities, each with a population of more than 1 million, ranking first in the world. The problems in this respect are: 1. the scales of the cities are not reasonable; 2. population and industry have been excessively concentrated in large cities. There are many problems in urban construction and the management system. In addition, for a rather long time in the past, under the guidance of the "leftist" ideology, we only attached great importance to industrial development to the neglect of urban construction and attached importance to production to the neglect of improving livelihood. We did not pay attention to overall planning for the development of cities and urban districts, resulting in the very unreasonable distribution of cities, disorderly layout of urban districts, serious insufficiency in dwelling houses and basic facilities, shortage of water and energy supply, traffic jams, poor communications, serious pollution, and generally low economic returns. In short, the quality of cities is comparatively low, not suiting the needs of economic and cultural development and improvement of the people's livelihood. It has even become "an obstacle for further development."

By the end of this century, China's population will reach 1.2 billion, and its total industrial and agricultural output value will be quadrupled. This great change in population and economy will inevitably promote the process of its urbanization. According to calculations of the relevant department, along with continuous and vigorous development of the rural economy, there will be at least 200 million surplus agricultural laborers in the coming 16 years, who will move from the countryside to the cities and engage in industrial production or other trades. Probably, about 60 percent of the national key construction projects except for railways and communication projects will be attached to the existing large and medium-sized cities, while some 30 percent of them will be built in small towns and cities or outside towns and cities. Implementation of the policy of opening up to the outside world will inevitably result in population growth in coastal cities. This situation dictates that the population and areas of certain towns and cities, including some large cities, will continue to grow, and some new towns and cities will be established. This is an inevitable and irresistible trend. In view of China's concrete situation and national strength, and based on the strategy and plans for its economic construction in the coming 16 years, the most possible situation will be: On the premise that population growth is strictly controlled, the economy and society of the existing super-large cities will be gradually developed toward the orientation of high efficiency and high quality and the population will slightly grow; the population of the existing large and medium-sized cities will grow under control, of which the 7 large cities with a population over 900,000 will be developed into super-large cities with a population over 1 million, the 14 medium-sized cities with a population of over 400,000 will possibly be developed into large cities with a population of over 500,000, and the 40 small cities with a population of over 150,000 will possibly be developed into medium-sized cities with a population of over 200,000; and a number of the 7,469 towns will be upgraded and become cities. In the past 5 years, an average of 12.8 small cities were established each year in our country. Based on this development, it is possible that in the coming 16 years, some 208 small cities will be further established, at an average of 13 each year. Of the more than 53,000 market towns in the countryside, those with better conditions and faster development can be changed into towns. Based on this estimation and in accordance with the principle of "leaving agricultural production without leaving one's home village," some 30 percent of the 200 million surplus rural laborers can be accommodated in the rural market towns, and 60 percent of them will settle down in the nearby small cities and towns. The number of these laborers entering into large and medium-sized cities will be controlled at about 20 million, or 10 percent. In addition, there will be natural population growth in cities and towns. Thus, by that time, China's total urban population could reach 372 to 396 million accounting for 31 to 33 percent of the total population. This is probably more suited to our policy on the development of cities and towns. Meanwhile, this trend of development also requires us to study and work out a correct strategy for urban development.

The Basic Policy for China's Urban Development

The basic policy for China's urban development is "to control the scope of large cities, to rationally develop medium-sized cities, and to vigorously develop small cities." This policy was put forward by the national urban planning work conference in October 1980 and approved by the State Council. Since it is of great guiding significance to the overall development of cities (this is the focal point) as well as to urban planning and urban construction in the whole country, it is called "the basic policy for urban development." It is not a concrete policy for a certain aspect of things (such as planning or management), but a general guiding policy. While providing an important guiding ideology for China's urban development strategy, it also gives different principles for the development of large, medium-sized, and small cities. It was formulated on the basis of summing up our experiences and lessons in urban construction since the founding of the state, by studying the situation and experiences of other countries in urban development, and in light of China's concrete national situation and the needs of socialist modernization construction.

"To control the scope of large cities" mainly refers to controlling the population of large cities. Historical experience in the world's urbanization over the past two centuries shows that the excessively large size and population of the cities create many defects which may bring about a series of difficult problems to solve. For this reason, we stand for strictly controlling the population in large cities. The main points are as follows: 1) to determine the general population scale for the coming years through overall planning so as to carry out control; 2) to stress controlling the mechanical growth of population while exercising control over natural growth through family planning; 3) to take as our purpose preventing the unrestrained growth of the urban population rather than exercising rigid control over the population size and excluding any necessary growth or decline; and 4) to follow a policy of dispersal while controlling population growth so as to distribute the population from large cities to small cities and towns. A correct understanding and implementation of the policy of "controlling the scope of large cities" will not hinder the economic and cultural development of large cities, but can ensure their healthy and rational development and give fuller play to the role of these cities.

"To rationally develop medium-sized cities" requires that we change our past practice of laying particular emphasis on the development of large cities to the development of medium-sized cities, so that the latter can be rationally developed. The main points are: 1) to make use of the relatively good conditions of medium-sized cities in production, circulation, and service, and their superiority in regard to population, and to make some projects that are urgently required by the development of the national economy develop there so as to win the race against time and to prevent some of the defects of large cities; 2) to make economic construction develop harmoniously with the construction of various basic facilities so as to prevent "outstanding accounts" in urban construction; 3) the population and areas of the cities must not be expanded without restraint, and unless absolutely necessary, they must not be developed into large cities, especially super large cities; and 4) in a few years, some small cities with good conditions may be gradually developed into medium-sized cities in a planned way.

"To vigorously develop small cities": The "small cities" mentioned here refer to cities with districts, county seats, towns, independent industrial and mining areas, and town- and city-type residential areas with a population under 200,000. We are now used to including rural market towns (usually the locations of township government and areas where township industry is concentratedly developed, which are regarded as reserve positions for developing towns and cities) in this category and generally call them "small cities and towns." Thus, "to vigorously develop small cities" is often interpreted as "vigorously develop small cities and towns." The main points of this policy are: 1) along with the development of the national economy, especially the rural economy, to first do a good job in building the county seats and towns, paying special attention to strengthening planning and management and the construction of basic facilities so as to suit the needs of continuous economic and social development; 2) to establish satellite cities around the large cities so as to take the pressure off large cities; 3) to develop some small cities with good conditions into medium-sized cities if necessary and possible, but main efforts should be made to improve the facilities and functions of the cities rather than pursuing an increase in population and land; and 4) to gradually upgrade towns or county seats with good conditions to cities and well-developed rural market towns to towns so as to gradually increase the number of small cities and towns.

Tentative Ideas on the Strategy for China's Urban Development

Since the 3d Plenary Session of the 11th CPC Central Committee, the central authorities have put forth a series of demands for China's urban development, such as: It is necessary to do a good job in urban planning, construction, and management; to attach importance to the role of cities; to make the cities bring along the counties and lead the countryside; to take the cities, which are comparatively well-developed, as the core so as to bring along the rural areas around them; to organize production and circulation under unified leadership; to gradually establish all kinds of economic zones and networks attached to and supported by the cities; to give play to the superiority of the coastal cities and to vigorously promote foreign trade, international economic cooperation, and technological exchange in these cities while encouraging them to carry out effective cooperation with the hinterland so as to bring along the economic development of the latter; and to vigorously develop small cities and towns so as to promote rural economic and cultural development and absorb the surplus labor in the countryside. These demands, which, proceeding from the strategy for the economic and social development of the whole country, present tasks for cities and towns in the new historical period and place them in a position of leadership over the countryside, form an important guiding ideology in studying and drafting the strategy for the development of cities and towns in our country. In his opening speech at the 12th CPC National Congress, Comrade Deng Xiaoping said: "We must proceed from China's reality in our modernization drive," and "must combine the universal truth of Marxism with China's concrete situation and follow our own path in building socialism with distinctive Chinese characteristics." This is the fundamental guiding ideology for us in studying and drafting the strategy for our development of cities and towns.

According to this guiding ideology, the strategy for China's development of cities and towns in the new historical period should be as follows: Proceeding from our national situation and serving the fulfillment of the general task put forward by the 12th CPC National Congress, we must adhere to the policy of "controlling the scope of large cities, rationally developing medium-sized cities, and vigorously developing small cities." We must follow our own path in building cities and towns with distinctive Chinese characteristics and gradually establish a multilayered and pagoda-type structure with super-large and large cities as the core, medium-sized cities as the backbone, small cities and towns as the bases, and rural market towns (the reserve positions for cities and towns) as the cells. This is characterized by the rational distribution of all kinds of cities and towns, including super-large cities, large cities, medium-sized cities, small cities, county seats, towns, and rural market towns. Thus we will be able to bring along the vast countryside and promote the harmonious development of both urban and rural economy and society so that they may march toward modernization at the same pace.

The objective of struggle for this century is: By the year 2000, all the cities in our country, especially large and medium-sized cities, should be built into clean, quiet, beautiful, and advanced positions with sufficient basic facilities, which are capable of playing their role as guiding centers in the construction of the four modernizations. Small cities and towns can also take this objective as their reference point to gradually improve their levels.

Under the guidance of this strategic thought, while developing our cities and towns we must never repeat the old path of certain countries which have blindly developed large cities and allowed the surplus laborers in the countryside to flow into large cities unrestrained, but must take serious measures to control the scope of large cities and develop various kinds of cities in a planned way, laying stress on the development of small cities. We must first strengthen the construction of the existing cities and towns. We must not only forcefully develop industry, communications, trade, finance, and tourism in these cities in light of the necessity and possibilities of our modernization drive, but must also forcefully promote the development of science, education, culture, public health, and information, as well as various public facilities serving production and life, and strengthen the construction of various kinds of basic facilities. This will allow these cities to give full play to their role as centers of various regions. Large cities, especially super-large cities, must be developed with the idea that the scope of the population will be strictly controlled, and with stress on improving their functions, layout, and level of modernization, so that they may give better play to their role as "key cities." When developing the economy, especially when developing industry in large cities, we must give priority to the production of high-quality, precision, advanced, and new products. We must carry out technical transformation and follow the road of intensive and expanded reproduction. We must rely on policies, science, and technology and make great efforts to improve the industrial structure and technological makeup so as to gradually increase labor productivity and overall economic returns. While strengthening their own strength, increasing their level, and providing the state with more accumulation, they must also provide the areas around them and medium-sized and small cities (and even the whole country) with advanced technology and equipment as well as technical personnel and necessary financial and material resources, so as to help these areas and nearby cities and towns advance at the same pace. They must not merely consider their own problems concerning quadrupling the industrial and agricultural output value or merely compete with other cities and areas in this respect. The development of medium-sized cities must also follow these principles. Population control in these cities may be appropriately relaxed. However, they must not be developed into large cities, especially super-large cities. If conditions allow, the number of medium-sized cities may be appropriately increased. In our country, which has a large population, more medium-sized cities may help lighten the burdens of large cities and promote the economic and cultural development of nearby areas and small cities and towns.

At the same time, we must forcefully promote the construction and development of small cities and towns (including county seats, towns, and rural market towns with better conditions). Relying on small cities and towns to develop the economy and cultural and educational undertakings is conducive to the rational distribution of the productive forces, population, and cities and towns throughout the country. It is conducive to strengthening ties between town and country and promoting the economic and cultural development in the countryside and the realization of the modernization of agriculture. It is also conducive to absorbing surplus agricultural laborers in the nearby countryside so as to effectively control the scope of the population in large cities. Compared with the construction of large and medium-sized cities, the construction and development of small cities and towns need less investment but yields quicker results. It suits China's national situation and the needs of developing the rural economy. It is of important significance to gradually reducing the distinction between town and country, promoting their harmonious development, increasing the cultural level and living standards of the whole nation, and blazing a new trail of building cities and towns with distinctive Chinese characteristics.

All cities and towns must implement the principle of "developing strong points, overcoming weak points, and giving play to superiorities" in their construction and development, and set a correct orientation for their development. According to our historical experience, we must not require that all cities be developed into "all-round" cities, but must set different orientations, focal points, scopes, and speeds for their development in light of their respective characteristics and conditions.

Endeavor To Realize the Modernization of Cities

Another important question in studying the strategy for urban development is how to realize the modernization of the cities. Since science and technology have been developing at full speed, the internal movement and external relations of the cities, which are organic and comprehensive bodies and a large system of the economy and society, are also becoming more and more complicated with each passing day. For the modernization of industry, there are some evident signs that we can find in its technological makeup, product mix, degree of automation, and labor productivity, but it is difficult for us to find evident signs of modernization in the cities. At least, they are not as evident as those of industrial modernization. This is because the modernization of the cities, which are comprehensive bodies and a large system, is not only restricted by economic and technological conditions, but also by geographical, historical, and national conditions, as well as the social system and international contacts. From a long-term point of view, the following five conditions are necessary for China's modernization of the cities:

1. A high-degree of socialized division of labor and cooperation: This is not only reflected by production and circulation, but also by life and all kinds of service. It is not only reflected by the cities internally, which have removed the backward phenomena that appeared under the guidance of the old concepts of a small-scale peasant economy and self-sufficiency, such as the phenomena of "being big and complete," "being small and complete," and all factories and schools "engaging in the management of society," but is also reflected by the relationship between cities. With the establishment of various types of economic zones and economic networks, the functions of all cities will be rationally regulated so that the cooperation between various cities may be enhanced and the best possible overall economic results may be achieved.

2. Highly efficient basic facilities: There should be sufficient basic facilities for information, communications, water supply and drainage, and power, heat, and gas supply, as well as for commerce and the service trades. These facilities must be sensitive, convenient, unobstructed, and fine.

3. A high-quality ecological environment: All kinds of pollution in the cities should be generally prevented and cleared away so that a benign cycle

may be maintained in the ecological system and so that the urban residents may live in a clean, beautiful, tranquil, and comfortable environment.

4. A high level of management: While perfecting the legal system and striving to realize the "rule by law," urban management in various fields, including planning, construction, communications, commodity supply, social service, public security, disaster prevention, population control, medical and health work, and labor and equipment, should be put under electronic control so that it may be carried out in a scientific way and become more efficient.

5. A high degree of socialist spiritual civilization: We must not only attach importance to the development of culture, art, journalism, publications, broadcasting, and television, but must also educate residents of the cities in Communism, patriotism, and collectivism through various channels and by various means, so that they may acquire lofty morality and so that a good social atmosphere characterized by "five stresses, four beauties, and three loves" may be fostered.

These five conditions are also symbols of China's modernization of the cities. Their realization required our great efforts. We must realize that improving the quality of cities is an arduous task and that the modernization drive is a dynamic process and a process of continuously advancing from the lower level to the higher level and from popularization to higher standards. We must take a broad and long-term view in making plans for urban modernization and must work out feasible and concrete plans, targets, and measures in light of our real situation at present.

The Objective of Struggle for the Coming 16 Years

In this century, in order to make the quality of our cities suit the targets of quadrupling the industrial and agricultural output values and making the people become relatively well-off in their material and cultural lives, we must gain a full understanding of the relationship of interdependence and interaction between urban construction, environmental construction, and economic construction. We must work out plans for, carry out, and develop the three types of construction simultaneously, so that unified economic, social, and environmental results may be achieved. Since urban construction and environmental construction are inseparable, we must pay greater attention to grasping well both environmental protection and the construction of basic facilities in the cities.

In environmental protection, stress should be laid on bringing industrial pollution under control. It is necessary to strictly control the emergence of new sources of pollution, maintain the ecological balance, and increase our ability to dispose of the "three industrial wastes" and daily garbage in harmless ways and to regenerate and use resources in a comprehensive way, so that the impurities in the urban water system, the content of harmful gas in the air, dust, and noise can be reduced and reach the required standards for environmental protection.

In the construction of basic facilities, it is necessary to make unified planning with due consideration for all concerned. It is necessary to grasp both the transformation of the old areas and the unified development and construction of the new areas and make continuous efforts to improve the efficiency of these facilities. In the coming 16 years, we must particularly pay attention to the construction of basic facilities for communications, water supply, water drainage (including sewage disposal), gas supply, and afforestation. In housing projects, while maintaining the necessary scope and speed, it is also necessary to reform the distribution system and gradually adopt the system of commercialization. By the year 2000, every household of urban residents should have a suitable apartment. In design, for both dwellings and public buildings, it is necessary to take into consideration the long-term needs and the needs of modernization. We must strive to improve the design of houses and build more beautiful houses with both national and local characteristics and rational layouts. We must also change the traditional unchangeable space into flexible and changeable space and reserve necessary space for all kinds of pipes and lines as well as for all kinds of household electric appliances.

It is also necessary to build various service facilities and vigorously develop the service trades so that our production and life may become more convenient.

Judging from the requirements of modern cities, the above objectives are still at a low level. In light of our national situation and strength, we must achieve these objectives.

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ECONOMIC PLANNING

CENTRAL CHINA'S ECONOMIC DEVELOPMENT STRATEGY

Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 5, 3 Feb 86 p 9

[Article by Xia Zhenkun [1115 2182 0981], Senior Economist: "Central China's Integrated Economic Development Strategy"]

[Text] Central China is the middle of China. Objectively speaking, to make national economic structure be truly able to realize the "unification of east and west, the intercourse of north and south," and make economic development have stamina in the east and momentum in the west requires a central Chinese economic group that has internal concentration and external tension. Therefore, studying central China's overall socio-economic development strategy is not only a requirement of every central Chinese province, but is more so a national strategic planning requirement.

Two Kinds of China

At present there are two strategic choices confronting the provinces of central China: "non-integration" or "integration."

To meet the challenge of competitors and seize certain markets and investment funds, the so-called "non-integration" choice means that each province separately opens up to the outside and has even more attractive economic zones. The creation of semi-natural horizontal economic relations cannot be criticized; however, to treat this structure as a kind of strategic principle entails three drawbacks. First, one cannot fundamentally change the economic status of every province. Second, in terms of the national structure, to have a blank center is an unwise strategy. Third, the idea runs counter to the objectively existing traditional relations and development prospects of mutal resource complementation and promotion between provinces.

The so-called "integration" is the formation of a network based on the geography and unity of the three provinces. They extend to Beijing and Tianjin to the north, to Guangdong and Guangxi to the south, Jiangsu and Zhejiang to the east, and approach the great northwest and southwest in the west. The three integrated provinces form a pivot reaching out in all directions and surging in the middle. This plan can avoid the weaknesses of the "non-integration" strategy and alleviate the shortcomings among the provinces. One can say that if the three provinces stand alone, each is weak;

but united they can develop together. For example, Henan's energy resources can ease shortages in Hunan and Hubei. Hubei's iron, steel, autos and science and education can help develop Hubei and Hunan. Hunan's nonferrous metals, agriculture, light and textile industries and technology can benefit the other two provinces. In this way there can be mutual benefit and central China's prominence will speed up.

Multiple Centers; An Omni-Directional Stance

Becausse of geographical and economic factors, the formula for central China's unification at present should not be to adopt one center in an all-or-nothing formula. The best is to make Wuhan, Zhengzhou and Changsha into centers, creating a network out of the three tri-city areas of Wuhan-Xiangfan-Shashi; Zhengzhou-Luoyang-Xinxiang; and Changsha-Zhuzhou-Xiangtan, establishing a kind of multiple-centered, omni-directional loose unification of crisscrossed networks that mutually complement and promote each other by equal cooperation.

Three Great Interlocked Circles

This kind of unified situation varies to a small degree, however, in different circles and neighboring areas are not uniform. The first circle includes all of Hubei, the southern part of Henan and the northern part of Hunan. This circle can implement genuine economic unification and cooperation. The second circle includes northern Hubei, southern Hunan, northwestern Jiangxi, southwestern Anhui, and southeastern Shaanxi. This circle is quite freely defined and can carry out substantial or insubstantial, long-term or short-term, and various kinds of ad hoc cooperation and unification. The third circle can further take in Jiangxi, Anhui, Sichuan, Shaanxi and even more remote provincial areas as marginal border areas. The three circles and the areas outside them are not clearly delineated but fit together jigsaw-like.

Economic Partners Flying Wing-to-Wing

The city and three provinces have an equal partner relationship due to the mutual need for unification. The first circle equally can carry out organized, planned cooperation and unification to provide and transport its comprehensive energy development, car and tractor industries, water and land transport, comprehensive development and processing of nonferrous metals, management of the Dongting Lake water, science and technology news network, researching and popularizing hybrid rice, etc. Unified investment companies or long-term planned contracts can be set up without sticking to a single pattern. Thus we can create central China's economic group on the basis of mutual aid and benefit, equality and self-fulfilment.

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ECONOMIC PLANNING

LIAOWANG LOOKS AT CENTRAL CHINA'S INDUSTRIAL SYSTEM

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[Article by Li Yaowu [2621 5069 2976], Lecturer, Wuhan Construction Institute: "Central China's Industrial System Basically Established"]

[Text] Other large economic zones are in planning in the wake of the successive establishment of the economic zones in Shanghai and the northeast and the formation of a cooperative zones in the southwester comprised of four provinces and five localities. Towards this end, the most important component in the creation of a regional economic system is to put research on industrial systems onto the agenda. An understanding of central China's industrial system directly affects such things as the formulation of development strategy, the choice of strategic goals and breakthroughs, and the rational ditribution of productive forces.

The total area of central China's three provinces of Henan, Hubei and Hunan is approximately 560,000 square meters. The total population is 180 million. The appelation of these three provinces as central China is appropriate because the area exhibits "central" characteristics in many respects.

Conditions are quite advantageous for the development of industry in central China. With respect to natural conditions, the area offers geographical advantages. Biological resources are abundant, the geological structure is complex, mineral resources are ample, hydrologic factors are beneficial and water and water power resources are ample. With reference to socio-economic considerations, the agricultural base is quite good, communications and transportation are convenient, commerce and trade are lively, cities are scattered throughout, there are ample human resources and the area occupies a strategic position.

Central China got a rather early start on modern industrialization compared to the national picture. The Hanyang Steel Mill is a major symbol of this early start. Yet in old China, industry here was always unable to achieve its proper development and there was nothing to be said for the industrial system. On the eve of the establishment of new China, the gross industrial output value of the three provinces was less than 1 billion yuan, industrial departments were fragmented, there were no large backbone industries and regional distribution was extremely uneven.

Since the 1950s, China has transferred industry to the inland in a planned way in order to change the irrational situation whereby industry was overly concentrated along the coast. The three central Chinese provinces constitute one of the key construction areas in the drive from north to south and from east to west. Henan, Hubei and Hunan were in third, sixth and eighth place, respectively, in terms of accumulated funds for capital construction among all provinces (areas) nationwide until 1980. The industrial production situation is as follows:

Scale of Production. The original value of fixed industrial assets in the three provinces is approximately 70 billion yuan. The gross industrial output value is more than 85.6 billion yuan, or 12.2 percent of that of the state. Among large areas, the provinces are second only to Shanghai (East China), north China and the northeast, becoming part of the ranks of the four state powers. The output of major industrial goods has already broken through some "big barriers," for example, coal (100 million tons), petroleum (10 million tons), steel (5 million tons), electricity (50 billion kwh), aluminum (60,000 tons), cement (20 million tons), vehicles (60,000 units), tractors (100,000 units), cotton (2 billion meters), paper (1 million tons), cigarettes (1 million cartons), etc. These figures indicate that central China's industrial production is already considerable and quite strong.

Departmental Structure. According to currently used division methods, the output values of light and heavy industry are 48.6 aand 51.4, respectively, or the two are basically balanced. The output value structure of various industrial departments is very close to that of the national situation, indicating a solid synthesis. Ancillary equipment systems for some individual departments or trades is already quite complete and forms a system. For example, in the steel industry, mining, benificiation, sintering, coking, smelting, steel making and steel rolling constitute an integrated system. In the power industry power is uniformly controlled and supplied in a system composed of generation, transmission and supply. The tractor and vehicle industries also are integrated. In general, departmental structure is rather coordinated.

Enterprise Structure. In 1983 there were 200 large- and 475 medium-size enterprises in the whole zone, the output value of which accounted for 44.5 percent of that of all industries in the zone, or practically the same as the national index of 45 percent. There were 13,000 enterprises owned by the whole people that played leading roles and accounted for 81.5 percent of the zone's output value. A group of large- and medium-size enterprises using rather advanced domestic technology played central and leading roles within their trades. The Yimi Qizha Steel Project, the Zhengzhou Aluminum Plant, the Zhuzhou Hard Metal Works, the Zhuzhou Smelting Plant, the Gezhouba Hydro Plant, the Pingwu and Gewu 500,000 volt high-pressure transmission line, the Jingxiang phosphorous and sulfer mine, the Luoyang Tractor Plant, the Zhengzhou No 2 Grinder Works, the No 2 Car Manufacturing Plant, the Zhuzhou Electric Power Equipment Plant and the Yiyang Ramie Textile Works are all leaders in their trades nationwide in terms of the scale of production or productivity. These large backbone industries comprise the framework of central China's industrial system.

Regional Distribution. Based on 1982 data, according to the situation in terms of the concentration of cities, the size of industrial output value, and major departments or trades, central China can be divided into 11 industrial areas in four sectors.

The primary industrial zone (having an output value of more than 10 billion yuan) is the Wuhan-Huangshi industrial area. Most prominent are the steel, machinery, textile and food products industries. The area accounts for 20 percent of the industrial output value of the three provinces, constituting the core of central China's industrial system.

There are two secondary industrial zones (having an output value of 5 billion to 10 billion yuan). The first is the Zhengzhou-Luoyang industrial area, centered around the mechanical, electric power, textiles and nonferrous metals industries. The area accounts for 13 percent of the output value of the three provinces. The second is the Changsha-Zhuzhou- Xiangtan industrial area, dominated by the mechanical, metallurgical, textile and foodstuffs industries. The area accounts for 9 percent of the output value of the three provinces. These two areas form the northern and southern wings of central China's industrial system.

There are two tertiary industrial zones (having an output value of 3 billion to 5 billion yuan). The first is the Xiangfan-Shiyan industrial area, highlighted by the mechanical, electric power and light industries. The output value of the whole area is 6 percent of that of the three provinces. The second is the Yichang-Shashi-Jingmen industrial area, where the electric power, petroleum and textile industries are at the fore. The area produces 5 percent of the output value of the three provinces. These two industrial areas are both growing sectors of central China's primary industrial system as well as rear areas with high development potential.

There are six fourth grade industrial areas (having a general output value of 1 billion to 3 billion yuan). Three are located in Henan Province, namely the Anyang-Hebi-Yima-Sanmen Gorges and the Pingding Mountain-Xuchang-Luo He areas. Three are in Hunan, namely the Yueyang-Yiyang-Changde area, the Shaoyang-Loudi,Lengshui Jiang area, and the Hengyang-Chenzhou-Yongzhou area. They are located in the north, west and southern sectors, respectively, of the two secondary industrial areas. They are expanding portions of the secondary industrial section of central China's industrial system.

In addition there are 15 small cities spread out in every direction that are linked up with neighboring counties to form the core of regional industry.

These four levels of 11 industrial zones are clearly demarcated in area, primary and secondary are distinct, and the general geographical configuration conincides with the ordered boundaries. The regional distribution of industries is generally rational upon reconsideration of the appropriateness of the specialized departments, natural resources, and socio-economic conditions of each province.

Considering that industrial output is on a strong scale, the structure of industrial departments is relatively coordinated, industrial enterprise structure is relatively rational, and the distribution of industrial areas generally is consistent with the allocation of resources, one can say that the foundation for central China's industrial system has been established.

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CPC SECRETARIAT, STATE COUNCIL OFFICE SPONSOR SYMPOSIUM

HK160408 Wuhan CHANGJIANG RIBAO in Chinese 7 May 86 p 1

[Report by correspondents Yang Jie [2799 2638] and Jin Xiaozhang [6855 1321 4545] and reporter Qin Xian [4440 0341]: "Nine Cities and Two Provinces Jointly Hold a Strategic Symposium on a New Type of Relationship Between Urban and Rural Areas in the Chang Jiang Valley"]

[Text] The strategic symposium on a new type of relationship between urban and rural areas in the Chang Jiang Valley jointly sponsored by the Rural Policy Research Center of the secretariat of the CPC Central Committee and the Rural Development Research Center of the State Council closed on 7 May after a 5-day meeting. Leading comrades and sociologists of 9 cities and 2 provinces including Shanghai, Nanjing, Wuhan, Chengdu, Chongqing, Jiujiang, Jiangsu, and Hubei attended the symposium.

At a time when the new system of the city exercising leadership over the surrounding counties developed rapidly, the participants, in connection with the development of the new relationship between urban and rural areas, focused their discussions on the coordinated development of industry and agriculture between urban and rural areas, the pattern of new relationship between urban and rural areas, the new problems arising from the market opened for farm and sideline products between urban and rural areas and the measures to be taken, and other issues. The 50 delegates to the symposium submitted around 60 articles and tentative research results which made explorations on a series of questions concerning the development of urban and rural relations.

--In order to establish a new relationship between urban and rural areas, it is necessary to first develop a commodity economy in both urban and rural areas. Apart from performing the functions of large cities, exerting influence on rural areas, invigorating large enterprises, and establishing various multi-functional, socialized, and open economic centers, the most important question is to promote rural industrialization and institute a coordinated urban-rural industrial system. This is the principle to promote the development of the national economy as a whole and to enable the rural economy to catch up with the development of the urban economy.

--In order to establish a new relationship between urban and rural areas, it is necessary to devote a lot of time and energy to unclogging the circulation channels for commodities. The stress should be put on opening various forms of labor, technology, funds, and material markets; eliminating the factors that separate urban from rural areas; smashing the old pattern in which barriers are erected between regions and departments; encouraging urban and rural economies to help supply each other's needs; and bringing about new productive forces.

--With the coordinated development of the relations between urban and rural areas, it is necessary to establish corresponding organs; give full play to the role of planned regulation, economic legislation, and market mechanism including taxation, credit, and pricing; and remove the barriers so that the cities and towns are integrated with the countryside. It is particularly necessary to take note of giving full play to the role of counties in linking up the relations between urban and rural areas, enhancing power at the county level, and implementing the contracted responsibility system in finance and unified management of manpower and material resources. Meanwhile, it is also necessary to stimulate the initiative of cities and countryside and combine the advantages of both urban and rural areas.

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CSO: 4006/1039

ECONOMIC MANAGEMENT

SOUTHWEST ECONOMIC COORDINATION CONFERENCE OPENS

HK210221 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 20 May 86

[Excerpts] The third session of the Economic Coordination Conference of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing opened in Kunming on 20 May. There have already been two sessions of this conference, whose establishment was advocated and urged by Comrades Hu Yaobang and Zhao Ziyang. In the past 2 years, under the close concern and guidance of the CPC Central Committee and State Council and the enthusiastic assistance and support of the central departments, this transprovincial open-style economic coordination organization has gained marked economic results. The organization of the conference itself has also undergone new development from form to content, displaying strong vitality and vigor.

Pu Chaozhu, Secretary of the Yunnan Provincial CPC Committee and chairman of the third session of the conference, presided and delivered the opening speech on 20 May. He said: This session is being held at an important moment when the people of the whole country are studying and implementing in the reform spirit the Seventh 5-Year Plan. It is being held amid a new situation in which lateral economic ties are showing extensive growth. The state's Seventh 5-Year Plan explicitly lists the southwest as a national grade-one economic zone. This is a tremendous encouragement for us.

Pu Chaozhu stressed: This session must take as its guiding ideas the basic spirit of the Seventh 5-Year Plan, and the spirit of the speech of Comrade Hu Yaobang at the Nanning conference and the speech of Comrade Zhao Ziyang on persevering in reform and developing lateral economic ties. The session must continue to implement the official written reply of the State Council on the report of the second session of the conference. On the basis of summing up the experiences of the first and second sessions, we should further implement the guideline of reliance on our own efforts, the organization of joint undertakings, state assistance, and common efforts to invigorate the economy, and the principle of voluntariness, equality, and mutual benefit. We should have consultations and discussions on a number of major strategic issues of common concern to the five parties and promote the development of lateral economic ties and cooperation between them.

Comrade Pu Chaozhu announced that in accordance with the application of the Xizang Regional CPC Committee and People's Government, after examination and decision by the delegations, it has been unanimously agreed that the Xizang Autonomous Region should join the Southwest Regional Economic Coordination Conference. We welcome them.

Liao Bokang, chairman of the second session and secretary of the Chongqing City CPC Committee, then delivered a speech reviewing and previewing the conference. Yu Hanqing, deputy secretary of the Chongqing City CPC Committee, gave a summation of work in the 1 year since the second conference. (Bao Yongkang), secretary general of the meeting and secretary general of the Yunnan Provincial People's Government, gave a report on the preparations for the third session.

The opening of the session was attended by Pu Haiqing, leader of the Sichuan delegation and vice governor, and deputy leaders of the delegation; He Zhiqiang, leader of the Yunnan delegation, deputy secretary of the provincial CPC Committee and governor and deputy leader, Vice Governor Chen Liying; Wang Chaowen, leader of the Guizhou delegation, deputy secretary of the provincial CPC Committee and governor, and deputy leaders of the delegation; Wei Chunshu, leader of the Guangxi delegation, deputy secretary of the regional CPC Committee and chairman of the regional government, and deputy leaders of the delegation; Wang Ye, leader of the Chongqing City delegation and vice mayor; (Sha Desheng), a representative of the Xizang Autonomous Region and director of the regional economics office; Wang Qian and Gao Yang, members of the Central Advisory Commission; Ma Hong, chief executive of the State Council's Development Research Center and a well-known economist; and leaders and representatives of 34 central and State Council departments and commissions including the Research Office of the CPC Central Committee Secretariat, the NPC Finance and Economic Commission, the NPC Nationalities Affairs Commission, the Teaching and Research Section of the State Council General Office, and the State Council's Economic, Technological, and Social Development Research Center. Ge Hua, a representative of Hunan Province, also attended by invitation.

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CSO: 4006/1039

SICHUAN, YUNNAN MAKE ECONOMIC, TECHNOLOGICAL PROGRESS

HK211105 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 20 May 86

[Text] Since the second session of the conference of four provinces and regions and five areas, both Yunnan and Sichuan have made progress in economic and technological cooperation and exchange. The development is both intensive and extensive. The two provinces have been involved in over 600 cooperation projects, the greatest number among the participants in the conference.

The cooperation between Sichuan and Yunnan is diverse and comprehensive. In addition, its rate of success has attracted wide attention. The major item includes joint development of lead and zinc ores and coal, while the general ones include tannery, sugar refining, reeling off raw silk from cocoons, shipping, glass fibre tile, plywood, marble processing, and brewery. Although these items are small in scale, they conform to the conditions of the two provinces. One of the parties can undertake them when the other party needs them. Although the investment sum is small, the projects can bring good economic results and are marked by the characteristics of being short-terms, requiring a small investment sum, and bringing quick results.

The fact that Sichuan and Yunnan started the cooperation activities in forest areas on the western part of the provinces is a further development of the lateral economic ties between the two provinces. While developing the areas and cooperation, the two provinces actively promote cooperation in shipping and technology. The number of technological cooperation projects reached by the two provinces accounts for over 60 percent of the total number of projects. Sichuan is exporting more and more technological items to Yunnan. This benefits the development of Yunnan and brings income to Sichuan, thereby accomplishing the goal of mutual benefit.

Sichuan helped Luliang County in Yunnan establish eight town and township enterprises, which earned over 600,000 yuan in profits last year alone. The (Yongtang) Sugar Refinery at Yongde County, Yunnan, was an enterprise which had suffered losses for 4 consecutive years. After reaching a technological cooperation project on production with Dayi County Sugar Refinery, it signed a 3-year agreement on a production technology joint venture. Therefore, (Yongtang) was able to turn losses into profits. Previously, it had suffered annual losses of 300,000 yuan, but it now earns 400,000 in profits and has gross profits of 700,000 yuan.

In the course of cooperation, both parties also attach importance to carrying forward their own styles as well as the communist spirit of cooperation. The Yuxi Cigarette Factory in Yunnan helped the province's Xichang and Dechang Cigarette Factories solve problems concerning raw materials and techniques for flue-cured tobacco. It also helped them develop new products and improve their product quality.

An enterprise at (Supo) Town in Jinniu District, Chengdu, and an enterprise at (Lubiao) District, Kunming, jointly run a plaster splint factory. According to the agreement, the enterprise at (Supo) Town should have made 320,000 yuan in profits last year, but since (Lubiao) District was affected by a natural disaster during the period, the enterprise voluntarily donated its profits to the district to develop production.

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CSO: 4006/1039

ECONOMIC MANAGEMENT

7 CITIES, PREFECTURES FORM COOPERATION REGION

HK071119 Wuhan HUBEI RIBAO in Chinese 25 Apr 86 p 1

[By reporter on probation Li Mingzhao [2621 2494 3564]: "Seven Cities and Prefectures in Hubei, Henan, Sichuan, and Shaanxi Set Up an Economic and Technological Cooperation Region--Break the Bounds of Administrative Regions and Promote Lateral Economic Combinations"]

[Text] On 21 April, representatives of the seven prefectures and cities in the continguous zone of Hubei, Henan, Sichuan, and Shaanxi Provinces reached an agreement in Xiangfan City to formally set up and more frequent.

The cooperation region will engage mainly in the following:

--Industrial combinations. In the light of their individual strong points, enterprises in each prefecture and city should employ various forms to develop jointly famous-brand, fine-quality, and marketable products; high-technology products; export products that can earn foreign exchange; high-priority agricultural, sideline, and mineral products; and products that can cut down energy consumption and jointly develop coordinated transport and communications.

--Scientific and technological cooperation. Networks of technology development, information exchange, measurement and testing, and personnel exchange will be set up in the whole cooperation region, and priority will be given to the arrangement of the flow of talented people in every prefecture and city within the region.

--Trade combination. The cooperation region will hold an overall material fair once a year, and every specialized department in the region will indefinitely hold various goods-ordering, goods-selecting, and goods-redistribution fairs, and so on. Commercial enterprises in every prefecture and city will work in coordination to carry out activities like holding exhibitions, opening up shops, setting up display windows, developing compensatory trade, and so on, and set up multipurpose or specialized transregional and transprovincial substantial companies.

--Information exchange. Every prefecture and city should encourage every enterprise and department to select one or two relevant units as permanent information exchange points, call information exchange meetings, and exchange information on a regular basis. Every prefecture and city should set up a comprehensive information center, which should be responsible for synthesizing various information of the local departments, hosting information exchange meetings in turn once or twice a year, and compiling information journals, jointly exploiting the materials stored in the scientific and technological libraries of the scientific and technological bureaus in every locality.

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HEILONGJIANG SECRETARY INSPECTS GRASSROOTS UNITS

SK150741 Harbin Heilongjiang Provincial Service in Mandarin 2100 GMT 14 May 86

[Text] In his recent investigation tour to the grassroots areas, Sun Weiben, secretary of the provincial CPC Committee, repeatedly put the stress on strictly and earnestly implementing economic policies and carrying out economic contracts and the contracts for purchasing farm and sideline products in order to gain the confidence of the people and to protect the enthusiasm of the staff members, workers, and the peasants. Sun Weiben also called on leading cadres at all levels to show more concern for the reform in the circulation field.

He said: At present, the circulation field has become a link between the urban and rural economic reforms. The urban and rural economic reforms and the production development have set forth many new tasks for the circulation field, and have urgently required us to carry out appropriate circulation reform. Our province has made progress and achievements in this reform, but the current circulation system is not perfect enough due to the fact that the new circulation system has not been set up yet. Owing to serving the state monopoly purchasing and marketing system for a long period of time, some departments have still failed to adapt themselves to the development of commodity economy in terms of their management systems, working personnel's thinking, work methods, and material facilities. If we fail to solve this problem, the urban and rural economic reforms and the production development will be affected.

Sun Weiben pointed out: All localities should pay full attention to maintaining the stability and continuity of the economic policies and to guarding against the practice of making unpredictable changes in the policies. The policies on circulation are directly related to the economic benefits of the masses. The portions of farm and sideline products more or less than the amounts fixed in the purchasing contracts should be handled strictly in accordance with the policies. Such practices as inventing all sorts of names to purchase the above-quota portions by forcing the peasants or not to purchase them should never be allowed. Otherwise, our policies will not stand, we will lose the confidence of the people, and the enthusiasm of the masses will be dampened. It is difficult to revive the people's enthusiasm once it is dampened. We must keep this firmly in mind. Grain and commercial departments and the enterprises should make efforts to master the method of handling affairs according to the economic law; persistently pay attention to the interests of the masses and production; take the whole situation into consideration; and pay attention to social effects.

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JIANGXI TO BORROW MONEY TO BOOST CONSTRUCTION

HK211140 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0151 GMT 21 May 86

[Text] Nanchang, 21 May (ZHONGGUO XINWEN SHE)--Jiangxi provincial governor Ni Xiance has said that his province has decided to borrow money for construction so as to build Jiangxi into an important commodity grain base, food base, and a production base for nonferrous metal and building materials for the whole country and for the Shanghai Economic zone.

He said this yesterday at a seminar on the development strategy for the Shanghai economic zone. The seminar was held in Shangrao City, and was attended by some 150 people from various provinces and the municipality of this economic zone.

Ni said: Trying to conduct production and construction without borrowing money is a practice of the self-supporting small-scale peasant economy, and this will prevent us making remarkable achievements.

He said: Last year, Jiangxi Province concluded more than 1,700 cooperation contracts of all kinds and introduced 110 million yuan of external funds. Among other things, 48 joint investment and cooperation projects with foreign companies have been approved by the state authorities, and they brought in $32 million in foreign funds and enabled the province to import equipment and technologies worth $64 million. The imported equipment and funds will enable the province to increase its annual output value by 260 million yuan and increase its tax and profit contributions by 50 million yuan. He said: Practice has shown that using foreign funds and giving part of the equity to foreign companies in construction will not harm our own interest but will just help accelerate our construction in the long run.

Ni Xiance reiterated that Jiangxi's principle for construction is "to emancipate people's minds, open up the door, handle economic relations on the basis of mutual benefit, and give some interests to outside cooperating partners." He said his province will give more preferential treatments to cooperating partners from other provinces or from foreign countries.

Jiangxi Province is located at the meeting point of Central China and Southeast China. The province is rich in mineral resources. Jiangxi has 126 of the world's 160 types of mines, and the reserves of 76 types of mines in Jiangxi have been discovered through geological prospecting. The reserves of 12 types of mines rank first in the country.

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CSO: 4006/1039

BRIEFS

XINJIANG UTILIZING FOREIGN CAPITAL--The region has scored remarkable successes in utilizing foreign capital. As of this moment, the region has 29 contracts with foreigners involving a total foreign investment of over $76 million. Of these, 16 projects have been put into operation. Over the years, the region proceeded from reality and adopted various special and preferential measures for investment and cooperation projects. Through the methods of joint venture, cooperation, compensation trade, export credit and leasing, the region negotiated business with foreign businessmen from 21 countries and regions. Trades utilizing foreign capital include the petro-chemical industry, animal husbandry production, mineral resources development, and processing of non-ferrous metals and non-metal materials, in addition to metallurgy, textile industry, food processing, agricultural production, and the processing of native and animal husbandry products. Most projects that are put into operation bring about good economic results. In 1983, the August First Sugar refinery in Shihezi used loans granted by (Gong Nong) Company to import key equipment such as a beet squeezer. It also used the loans to build a dried beet workshop and used the revenue earned from selling the dried beet to repay the loans within a year. Now this workshop can earn over $1.5 million of foreign exchange a year for the state. [Excerpt] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 19 May 86 HK] /12712

HENAN DEVELOPS COOPERATIVE ORGANIZATIONS--Zhenping County has rapidly developed cooperative economy in the rural areas. By the end of April, the county had set up a total of 1,849 cooperative economic organizations with 29,300 participants. The average income per person was 60 percent higher than for ordinary peasants. This county has promoted a variety of rural cooperative economic organizations. There is cooperation based on manpower and technology; cooperation based on contracting to run state-owned and collective enterprises; and temporary and seasonal loose joint undertakings. These cooperative organizations have provided jobs for a large number of surplus laborers and mopped up idle capital in society. They have provided serialized services for commodity production. (Dalongyao) village of (Mazhuang) township set up a plastics processing joint company with seven subordinate specialized branch companies. The company has organized a complete process of production, supply, and sales. Its output value has grown rapidly. The majority of peasant households in (Wangzhao) village of (Chenjiao) township are engaged in fur processing. By organizing cooperation in purchase and sales, the majority of households have increased their income in less than 1 year. Over 100 households now have savings deposits exceeding 3,000 yuan, accounting for one-third of the village's total deposits. [Text] [Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 19 May 86 HK] /12712

CSO: 4006/1039

FINANCE AND BANKING

GUANGDONG PEOPLE'S CONGRESS HOLDS PLENARY SESSION ON BUDGETS

HK220935 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 21 May 86

[Text] In 1985, the province's financial revenue sharply increased and total revenue was greater than expenditure, so that there was a surplus. According to the 1986 draft budget, provincial financial revenue and expenditure will be increased and will be basically balanced.

The above was revealed at the plenary session of the fifth session of the Sixth Provincial People's Congress. The plenary session was presided over by (She Yue), executive chairman of today's session and vice chairman of the provincial People's Congress Standing Committee. Entrusted by the provincial government, He Xian, chairman of the provincial Planning Commission, and (Ling Dengyun), a director of the provincial Financial Department, delivered reports to the deputies on the draft of the 1986 national economic and social development plan, on the draft of the 1985 final accounts, and on the 1986 budget.

In his report, He Xian said: In connection with the arrangements of the draft plan, the province's gross industrial and agricultural output value and GNP value for this year will be 9 percent higher than last year. The national income will be 8.3 percent more than last year.

In his report, (Ling Dengyun) said: Last year the province's financial revenue totalled some 6,927 million yuan, while its expenditure was some 6,674 million yuan. The surplus was some 264 million yuan, thereby successfully accomplishing the 1985 budget. This year, the draft plan's amount of revenue and expenditure is respectively 7.85 and 7.84 percent more than last year. The aim is to strive to balance the accounts.

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CSO: 4006/1039

FINANCE AND BANKING

GUANGXI ISSUES REGULATIONS ON USE, CONTROL OF PREPAID FUNDS

HK211601 Nanning Guangxi Regional Service in Mandarin 1000 GMT 20 May 86

[Text] In order to help the counties and cities receiving financial subsidies to get rid of poverty and become better off as soon as possible, the regional people's government recently issued provisional regulations on the use and control of prepaid working funds of financial subsidies.

The regulations stipulate that those counties and cities which are able to support themselves financially before 1989 may, based on their demand for funds, submit annual expenditure plans to the regional finance department for projects examined and approved by the regional authorities. The regional finance department may, based on the expenditure plans of the relevant counties and cities and the progress of the relevant projects, allocate funds to the counties and cities within the limit of financial subsidies granted to them, until all the funds which should be allocated to the counties and cities in 5 years have been allocated. As for those counties and cities which are unable to support themselves financially before 1995, the people's governments of the counties and cities may apply to the regional finance departments for prepaid working funds of financial subsidies in production and construction projects examined and approved by the regional authorities. The regional finance department may, based on the investment amount in the approved projects and the progress of the projects, allocate funds to the relevant counties and cities within the limit of the financial subsidies granted to them.

The regulations read that the heads of the counties and mayors of the cities of which use prepaid working funds of financial subsidies must, according to the relevant stipulations of the regulations, sign responsibility contracts with the provincial finance department on behalf of the people's governments of the counties and cities. The contracts should clearly define the responsibility, power, and interests of each party and serve as a basis for examination and assessment. In case the contracts are violated and the funds are improperly used, the relevant departments have the right to rectify the mistake, to stop allocating funds, and to recover the allocated funds.

The regulations also make explicit stipulations on specific matters related to the use of prepaid working funds of financial subsidies.

In its circular issuing the regulations, the regional government pointed out that issuing prepaid working funds of financial subsidies to the counties and cities receiving financial subsidies is an important measure to help the counties and cities exploit local natural resources, develop the economy, and support or basically support themselves financially. The people's governments of the counties and cities concerned must seriously study the matter, make unified plans, and implement measures.

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CSO: 4006/1039

FINANCE AND BANKING

SHANXI FINANCIAL OFFICIAL REPORTS ON 1985 ACCOUNTS, 1986 BUDGET

HK211545 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 20 May 86

[Text] On 8 May, Yan Yuansuo, director of the provincial Finance Department, delivered a report to the fourth session of the sixth provincial People's Congress on the province's final accounts for 1985 and budget for 1986. The report was divided into three parts:

1. The province's final accounts for 1985: The province's revenue for 1985 was some 4.39 billion yuan, and its expenditure was 3.55 billion yuan. The province's revenue and expenditure for 1985 was balanced with a slight surplus.

2. The province's budget for 1986: The year 1986 is the first year of the Seventh 5-Year Plan. Making a good budget for this year is of great significance. The principle for making this year's budget is that we must bring into play the functional role of finance departments, continue to maintain a steady growth in the province's revenue on the basis of promoting production and improving economic results; further reform and perfect the finance and taxation system in accordance with the requirements of consolidation, digestion, supplement, and improvement; serve economic structural reform and other reforms even better; promote technological exploitation and advancement; further develop education, science, and public health; reasonably increase agricultural investment; enliven the rural economy; continue to improve the living standard of urban and rural residents; do our utmost to improve finance and taxation management; enforce financial and economic discipline; oppose extravagance and waste; and ensure the fulfillment of the task for the province's revenue and expenditure.

3. Fight for the fulfillment of the province's budget for 1986. The report put forth the following measures: 1) We must continue to put reform above all and vigorously promote lateral economic ties. 2) We must strengthen business management, improve economic accounting work, and do still better in turning losses into profits and in technological transformation. 3) We must reasonably distribute funds and strictly control and reduce expenditures. 4) We must further strengthen taxation management and do our best to increase financial revenues. 5) We must strengthen financial supervision and continue to grasp taxation and financial examination, so as to ensure the smooth progress of the reform and the healthy development of the national economy.

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CSO: 4006/1039

MINERAL RESOURCES

DISCOVERY OF LARGE GOLD MINE IN GUANGDONG REPORTED

Hong Kong WENHUI BAO in Chinese 18 Mar 86 p 3

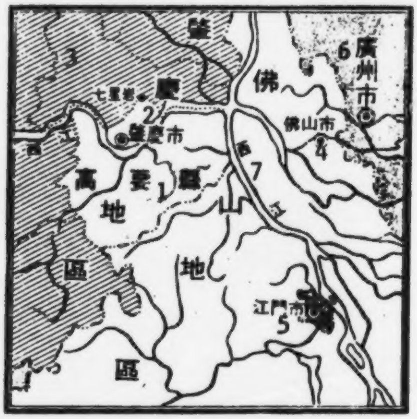
[Text] An important breakthrough has been made in Guangdong's gold prospecting. Within the Hetai Mining Area of 40 sq m in Gaoyao County, Zhaoqing Prefecture, in western Guangdong, a large gold deposit has been verified and 57 mineral veins of gold have been discovered. Seventeen of these veins are of industrial value.

An official of Guangdong Provincial Geological and Mining Department said that the large gold mine in Hetaigaocun, already verified, is over 1 km in length, and the gold content of the ores is one- to twofold higher than the grade required for industrial exploitation. Besides, it can be easily extracted. This deposit is now ready to be designed for exploitation and will be put into operation in the near future. Furthermore, in an area of more than 1,300 sq km at the fringe of the Hetai Mining Area, many gold anomalies have been discovered with geochemical methods, including 29 1:10,000 geochemical anomalies and 22 1:50,000 stream sediment anomalies, all showing promising mining prospects.

According to some person in the geological department of Guangdong, the mineral veins of the Hetai gold mine belong to an altered rock deposit of a typical crushed zone similar to the Jiaojia gold mine deposit in Shandong. This discovery is of great significance to further large-scale gold prospecting in Guangdong.

As we understand, nearly 20 gold deposits and 1,000 gold points have been verified in Guangdong, and more than 380 such mines are located in western Guangdong.

Map showing location of Gaoyao County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Key:

Hatched area on left side: Zhaoqing Prefecture
Light shaded area: Foshan Prefecture

1. Gaoyao County
2. Zhaoqing City
3. Qixingyan
4. Foshan City
5. Jiangmen City
6. Guangzhou City
7. Xijiang

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CSO: 4006/864

MINERAL RESOURCES

BRIEFS

HEILONGJIANG'S GOLD MINES--According to a recent statement of Heilongjiang's Governor Hou Jie [0186 2212], foreign traders are welcomed in the province for joint ventures in gold mining. He said: Heilongjiang's gold deposits rank second in the country and planning is now underway for two mines to be exploited by joint ventures with foreign traders. One of them is the Fukeshan Placer Gold Mine located in Gulian Township, Mohe County which is accessible by highway. The volume of placer gold deposits is 16,500 cubic meters and the average grade is 0.299993 gram/cubic meter, mostly in the form of long frozen ores. This will be a new mine to be exploited for 12 years with foreign cooperation. The other is the Laogou Placer Mine of Mohe, located in Xiaojingou Township of Mohe County. The mine site is 45 km north of Xilinji Railway Station and 40 km south of Mohe Town, also accessible by highways. The mine has a 100-sheng gold-mining boat and the new productive capacity is planned to be 6,500 liang a year. According to Governor Hou Jie, any foreign trader interested in these two projects can directly contact the Heilongjiang Gold Company of the Ministry of Metallurgical Industry. [By Li Zhou [2621 1558] [Text] [Chengde JINGJI XIAOXI in Chinese 25 Feb 86 p 2] 9411

DEVELOPMENT OF NONMETALLIC MINERALS--According to a recent statement of General Manager Zong Benmu [1350 2609 2606] of China Nonmetallic Mineral Industry Corporation, China will take full advantage of its superior nonmetallic mineral resources and promote its national economic development by exploiting and exporting its marble, granite, barite, graphite and other mineral products. He said: China will establish three export bases for talc products in Liaoning, Shandong and Guangxi; three export bases for graphite products in Shandong, Heilongjiang and Nei Monggol; and a number of developing and processing bases for granite and marble in Shandong, Shanxi, Sichuan, Fujian, Guangdong and Henan. To accelerate the development of its nonmetallic mineral industry, China will invest 530 million yuan in capital construction for this industry and for the technical transformation of the existing enterprises. Besides making its own investment, it will also adopt preferential policies similar to those used in the SEZ' to attract foreign funds for the development of its nonmetallic resources and to encourage foreign traders to open their own enterprises, to form joint ventures, or to undertake cooperative production, compensatory trade and so forth in China. It will also import advanced technologies and some key equipment for mining and processing mineral products. [Text] [Chengde JINGJI XIAOXI in Chinese 28 Feb 86 p 2] 9411

CSO: 4006/864

PROVINCIAL BUILDING MATERIALS INDUSTRY DISCUSSED

Development in Hebei

Beijing ZHONGGUO JIANCAI [CHINA BUILDING MATERIALS] in Chinese No 3, 13 Mar 86 pp 32-33

[Article by Cao Tianping [2580 3944 1627] and Xu Bingzhan [1776 4426 0594] of Hebei Provincial Building Materials Bureau: "Hebei's Rapidly Developing Building Materials Industry"]

[Text] Hebei's building materials industry is not only a great asset to the province, but also an important industry in China. Its special features are as follows:

Rich Resources, Long History

Hebei has very rich building materials and nonmetallic mineral resources. Their verified deposits in 1984 were as follows: cement limestone, 1,144,699,000 tons; hyaline quartz, 50,000,000 tons; asbestos, 420,000 tons; marble, 50,000,000 cubic meters; gypsum, 694,099,000 tons; porcelain clay, 8,660,000 tons; zeolite, 86,230,000 tons; and natural oilstone, 1,150,000 tons. In addition, there are deposits of pearlite, basalt, roselite, graphite, mica and kaolin of certain amounts. There is great potential for the discovery of new minerals and the expansion of prospective reserves.

Hebei has not only abundant building materials resources, but also a long history of their production. The first modern industrial enterprises to produce plate glass and sanitary ceramic wares, namely, the present Yaohua Glass Plant of Qinhuangdao (built in 1922 and completed in 1924) and the Tangshan Ceramic Plant (built in 1914), are both in Hebei. The Laiyuan Asbestos Mine in Heibei also has a history of more than 60 years. These enterprises not only have a long history, but also are large with a solid technical foundation. They have made great contributions in training and supplying technical personnel for national construction.

Developed Production, Advanced Technology

Hebei's building materials industry has undergone great development since the founding of New China. In 1984, the annual cement output reached 7,770,000 tons, 6.5 percent of the national total. The monthly output now is six to seven times that of the period shortly after the founding of the People's Republic. Plate glass output has reached 6,780,000 cases, a 16-fold increase and one-eighth of the national total. The output of sanitary ceramic wares has reached 2,840,000 pieces, more than 600 times that of the early post-liberation period and amounting to 50 percent of the national total. The total output value of building materials in the province has reached 1.7 billion yuan, an increase of more than fortyfold. There are 2,753 building materials enterprises of 11 branches engaged in the production of cement and cement products, glass and glass fiber, sanitary wares, bricks and tiles, ash, sands, stones, asbestos products, cast stones, construction machinery, and other new building materials, and in the extraction and selection of nonmetallic minerals. These enterprises produce more than 150 varieties of products and have formed a multi-branch, multi-variety and multi-level building materials production system.

Great progress has been made in the industry's technology. In 1969, a [liboer] kiln was imported from East Germany and the Handan Cement Plant was built with a productive capacity of 1,200,000 tons. In 1980, a production line with the use of a rotary kiln and a precalcinator of the 1970's vintage was imported from Japan, and China's first large, modern Qidong Cement Plant was built. In December 1984, only slightly more than 2 years later, this plant was put into operation with a designed capacity of 1,290,000 tons of portland cement a year. The Yaohua Glass Plant of Qinhuangdao has continued to improve its production technology after several large-scale technical transformations, and its production is now basically mechanized. In 1983, it set up three Fourcault process production lines with an annual productive capacity of 1.5 million cases. In 1985, again, it built a float process production line with an annual productive capacity of 2.5 million cases. The Tangshan Ceramic Plant and the Tangshan Building Ceramic Plant have totally discontinued the use of downdraft kilns of the 1930's and replaced them with tunnel kilns. For the forming of sanitary wares, pipes are used for vacuum slip casting and drain casting. For the forming of glazed bricks, the technology of spray drying and the automatic press imported from the FRG are now used for continuous production. Successful experiments have also been made in the new technology of quick firing at low temperature for wollastonite. These experiments have paved the way for further advancement in the technologies of production.

Three Highly Competitive Products of Building Materials Bases

The resources of Hebei's building materials are mainly concentrated in Tangshan and Qinhuangdao which have become the bases of cement, plate glass and sanitary wares in the province. In Tangshan, the productive capacity of cement is more than 3 million tons, one-third of the provincial output. The output of sanitary wares accounts for 51 percent of the provincial total and more than 80 percent of the national exports. In Qinhuangdao, the productive capacity of the glass industry already reached 6 million cases in 1984 and may rise to 10 million cases in 1986. It will then be China's largest glass base.

Hebei has not only high output, but also top quality for its cement, plate glass and sanitary wares. These products are well known at home and abroad as the "three highly competitive products" of Hebei. The Shengli-brand ceramic sanitary wares of Tangshan Ceramic Plant won a state silver medal in 1980, while the Sanwan-brand enamelled bricks of the Tangshan Municipal Building Sanitary Wares Plant and the Shengli-brand 22-inch ceramic sinks won silver medals in 1982. The "Horse-brand" portland cement made from lava and produced by Tangshan's Qixin Cement Plant won gold medals in many grand exhibitions held at home and abroad and, after 1981, again won national silver medals. The plate glass of Qinhuangdao's Yaohua Glass Plant occupied the top rank in the country for 7 consecutive years after 1978, and its specially chosen glass produced with the double-roller method, won a national silver medal in 1984. Up to that year, 5 products of Hebei's building materials industry won national silver medals, another 5 won the title of fine-quality products from the ministry and 15 won the same title from the province.

Future Economic Development

Despite its remarkable development, the quantity, quality and varieties of products in Hebei's building materials industry is still far from adequate for the modernization program. The provincial party committee and the provincial government have attached great importance to the development of this industry and have listed this as a priority item in their present planning as well as their future development strategy. To accelerate its development and to fully exploit its superior resources, everyone on the building materials front of the province is now earnestly implementing the principle of developing the building materials industry on a mass basis and arousing the enthusiasm in various quarters for the development at various levels and in various locations, various economic forms and various modes of business operation. They are also further promoting the technical advancement and transformation for the existing enterprises, attending to the construction and the advance work of the key projects, and laying a foundation for the future takeoff of the building materials industry in the province.

Our objective is to develop Hebei's building materials industry into a "pillar" industry of great vitality and to turn the provincial base of this industry into a national base. With the improvement of economic results as a prerequisite, we will strive to quadruple the total output of building materials ahead of schedule.

Development in Shandong

Beijing ZHONGGUO JIANCAI [CHINA BUILDING MATERIALS] in Chinese No 1, 13 Jan 86 pp 28-29

[Article by Sun Danhua [1327 0030 5478], secretary of Shandong Provincial Building Materials Bureau Party Committee, and Li Huaizhen [2621 2037 6297], Director of Shandong Provincial Building Materials Bureau: "Shandong's Developing Building Materials Industry"]

[Text] Shandong's building materials industry is now developing briskly. At the end of 1984, there were already 4,286 building materials enterprises in the province, including 359 above the county level and with an total output value of 1.7 billion yuan. The province produces 118 different products. The output of marble, granite, diamond, and graphite ranks first in the country, while that of talc, cement and plate glass ranks second, third, and fourth respectively. It has become an important producing area for the building materials industry in China.

How did this industry develop in Shandong?

Development by Relying on Mass Effort

Shandong's building materials industry was developed by relying on the enthusiastic support of the localities and departments and through the use of local material and financial resources.

With regard to the sources of funds, only 20 percent the fixed assets, 1 billion yuan in value, of some 300 building materials enterprises above the county level in the province came from the state budget and from the province's investment in the "five small" industries, while the funds for the remaining 80 percent were raised by the localities and the enterprises themselves.

As for the composition of enterprises, only 309, 7 percent, of the 4,286 building materials plants and mines belong to the building materials system, while the remaining 93 percent were built by the metallurgy, coal, chemical, and power industries and by the township and town industry departments.

As for the industrial output value, the enterprises within the system contributed only 626 million yuan, 35.8 percent of the provincial total of 1.7 billion yuan in 1984, while the remaining portion of nearly two-thirds was created through the collective efforts of various trades and undertakings.

Now let us look at the output of various products. In 1984, the total cement output of the province was 9.23 million tons, of which, 58 percent belonged to the building materials system; that of plate glass was 2.44 million cases, of which, only 10.2 percent belonged to the system; and 28.3 billion bricks, of which, only 4 percent belonged to the system. Thus more than half of the output was created by the localities and the different departments.

Practice has proved the effectiveness and correctness of the principle of advocating and supporting the reliance on mass efforts as a means of accelerating the development of the building materials industry.

Transforming and Tapping the Potential of Old Plants

Since the 3d Plenum of the 11th CPC Central Committee, the building materials departments in various parts of Shandong have concentrated their efforts in transforming and tapping the potential of the old plants for their intensive growth. Priority was given to the technical transformation of the cement and glass plants.

From 1979 to 1984, 96 indigenous and ordinary vertical kilns of the 125 local cement plants were converted into mechanized vertical kilns. At the same time, more than 100 sets of small old-style ball mills of poor economic results were replaced by large and highly-efficient ones, and more than 200 sets of machinery in support of the mechanized production lines were renovated, thus enabling the cement industry to develop its production through technical advancement. In 5 years, the local annual output of cement in the province was increased from 4.08 million tons to 7.99 million tons, the proportion of up-to-standard cement was raised from 83 percent to 98.5 percent, the consumption of standard coal for each ton of clinker was reduced from 155 kg to 143.17 kg, and the total profits increased 1.3-fold.

In the production of plate glass, two key plants had their three-machine kilns converted into six-machine kilns, and their two-machine kilns converted into four-machine kilns. Five small plants were transformed and their annual output increased from 700,000 cases to 2,440,000 cases.

The nonmetallic minerals and other local building materials also underwent new development with improved quality through transformation and potential tapping.

In these 5 years, 6 different products won national silver medals for their fine quality, 26 products were rated by the ministry and 38 others by the province as fine-quality products.

Superior Resources Turned Into Economic Assets

Shandong has rich resources of building materials and nonmetallic minerals. Since the founding of the People's Republic, the province has discovered through excavation 45 types of minerals in nearly 1,000 mineral points.

"Develop products, increase supplies" is the motto inspiring the localities in Shandong to develop the building materials industry. From 1979 to 1984, the number of building materials varieties increased from 65 to 118, the number exported increased from 14 to 20, and the foreign exchange thus earned increased from $8.86 million to $26.25 million.

In a further step to turn these superior resources into economic assets, the building materials industry department of Shandong has the following five plans for the nonmetallic mineral products during the Seventh 5-Year Plan period:

First, a fairly large increase in the varieties to be developed. In addition to graphite, talc, gypsum, feldspar, mica, asbestos, marble and granite, such new products as hyaline quartz, bentonite, fluorspar and barite will also be developed.

Second, the establishment of production bases for key products. With the Nanye Graphite Mine as the center, a graphite production base will be established; and with the marble mine in Yexian County as the foundation, Qingdao, Jinan, Pingdu and Xixia will be jointly organized into a production base for marble, granite and slate.

Third, a fairly significant readjustment in the product mix. There will be a shift from the production of mainly raw materials to intensive processing.

The quality of the major products will be up to, or approach the advanced international standards. In 1990, the output value of processed nonmetallic minerals should amount to more than two-thirds of the total output value of nonmetallic minerals.

Fourth, a fairly large increase in export products. The number of varieties of products for export will be increased from 20 at present to 35 in 1990, and the foreign exchange earnings from this source will be increased from $26 million to $40 million.

Fifth, a marked improvement in economic results. In 1990, the total output value of nonmetallic minerals and their manufactured products in the province will be increased from the present 130 million yuan to more than 300 million yuan, and the taxes and profits for the state should be increased from 25 million yuan to 60 million yuan.

Development Accelerated During Reform

In the past several years, the building materials departments in various localities of Shandong have actively carried out the reform in the decentralization of authority and the adoption of flexible policies, and thereby accelerated the development of the building materials industry.

First, the structural reform and the extensive lateral economic and technical cooperation. The municipal building materials department of Yantai has signed agreements with the relevant units in the country on 53 projects of economic and technical cooperation and brought in 17 items of scientific research achievements, which have prepared the way for increased exports.

Second, decentralization of authority and adoption of flexible policies to support the building materials enterprises. While delegating more authority to the enterprises under its jurisdiction, the provincial building materials bureau has also relaxed its control over production planning and price control. The number of products originally planned by the province is now reduced from 37 to 27. With the exception of cement and plate glass which are subject to mandatory plans, and the cement equipment, asbestos products and diamond which belong to the state, all the rest are subject to guidance plans. Formerly, the provincial bureau controlled the prices of 12 products; now it controls those of only 5 in 20 enterprises. The prices of other products in other enterprises are now decided by the prefectural and municipal building materials departments in consultation with the price administration bureaus.

Third, opening to the outside world and importing foreign funds and technology. The building materials departments in various localities have established economic and trade contacts with more than 50 countries and regions, made use of $6.43 million of foreign funds, and imported 7 advanced technologies as a preparation for the developing production and increasing exports. From 1978 to 1984, the average increase in foreign exchange earnings through exports was more than 20 percent each year.

Fourth, establishment of an extensive supply network to enliven the business. More than 1,300 outlets have been set up in various localities within the building materials supply network. Many localities are now able to supply complete sets of components for farm houses besides retailing cement, glass and other civilian building materials and providing technical services for the convenience of the peasants in building houses.

The reform and adoption of flexible policies have helped accelerate the development of Shandong's building materials industry. At the end of 1984, the province fulfilled the Sixth 5-Year Plan for the total output value of building materials 1 year ahead of schedule and fulfilled the total profit targets 2 years ahead of schedule. These are positive contributions to Shandong's economic development.

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CSO: 4006/927

BRIEFS

PRC WORLD'S LARGEST CEMENT PRODUCER--According to the National Conference of Building Materials Trade and reported by XINXI RIBAO, China's cement output reached 142,450,000 tons last year, a 15.8 percent increase over the previous year, and 80 percent of this amount, was produced by the departments and the township and town enterprises. China's cement output now tops the world. In the future, the efforts of its cement industry will be concentrated on the production of more fine-quality cement. [Text] [Shanghai WEN HUI BAO in Chinese 3 Mar 86 p 1] 9411

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SMALL-SCALE ENTERPRISES

TOWNSHIP INDUSTRY BECKONS FOREIGN INVESTORS

Hong Kong CHINGCHI YU FALU [ECONOMY AND LAW] in Chinese Vol 5, Feb 86 p 10-11

[Article by Chen Qingzhong [7115 1987 1813]: "Bright Prospects in Township Industry Investment"]

[Text] The Chinese government has consistently encouraged the development of small towns and township industry. Particularly after the 3d Plenum of the 11th CPC Central Committee, as agriculture and the entire national economy made big strides forward and the open door policy and economic invigoration went under way, township industry throughout the nation has been bubbling with life. Coastal provinces like Jiangsu, Zhejiang, Guangdong and Shandong, for instance, have flourished, along with the outskirts of various large and medium-sized cities. In just a few short years township industry, with its spectacular achievements, has become an important component of the national economy. Statistically, its total output value nationwide reached 49 billion yuan in 1984, up 51.7 percent over 1981, overtaking the 35.1 percent growth rate chalked up by industry during the same period. In the first half of 1985, its total output value again shot up 50 percent over the comparable period in 1984. To illustrate, let us look at the situation in a number of municipalities and counties.

As of late 1984, there was a total of 9,482 township and town enterprises of all types in Kunming, Yunnan, employing 137,400 workers, or 12.64 percent of the entire labor force in the countryside. Their gross earnings amounted to 445.71 million yuan, up 46.64 percent over 1983, or 5.6-fold over 1978, which translates into an average annual growth rate of 37 percent, higher than that of agricultural and industrial output in the municipality.

In 1984, both the output value and profits of township and town enterprises in Ba County in Hebei Province doubled that a year ago. In the first 7 months in 1985, their output value topped 250 million yuan and profits reached 80 million yuan, an increase of more than 100 percent over the corresponding period a year ago.

In Shazhou County in Jiangsu, township and town enterprises paid as much as 67.95 million yuan in taxes in 1984 alone. From January through April 1985, their tax payments exceeded 52 million yuan, 22 million yuan more than the same period in 1984. It is projected that tax payments will amount to about

160 million yuan for 1985 as a whole, roughly a 10-fold jump over 1979, and 99 million yuan more than in 1984.

The Functions Of Township Industry

Facts prove that the development of township industry has contributed immensely to the boom in rural and urban markets and the improvement of living standards. It has also done much to support agriculture and national construction. Hence its rising economic and strategic significance and the growing attention it is attracting from more and more countries and regions around the world. According to statistics from relevant departments, one foreign investor entered into project negotiations with township industry every day during the first half of 1985. By late March, 302 township and town enterprises across China had signed joint or cooperative venture agreements with foreign businessmen. In Beijing, for instance, 31 such deals were made in 1984, joined by 44 more in just the first quarter of 1985. China's township industry is a vast field; under the guidance of the open door policy, investing in township industry will pay handsome dividends.

The Characteristics Of Township Industry

Township industry, which essentially comprises small-scale enterprises, is related to agriculture in numerous intricate ways and can be described as agriculture's new-born baby. In capital, labor, sites, land, raw materials, even labor time, township industry is intimately linked to agricultural production. With its vast domestic market, abundant natural resources and ample, inexpensive labor, it is a low-cost, high-profit operation. In township industry, operational methods are flexible, investments are modest, profits are readily made and one can shift from one line of business to another promptly. It is, indeed, an ideal investment environment highly suited to the foreign businessman. General Manager Jiang Tianbao [3068 3240 1405] of Changsheng Enterprise Ltd of Hong Kong invested HK$1.8 million in a joint venture with Hainandao, the Nanbao Imported Auto Repair and Outfitting Company, and serves as the project's Hong Kong manager. Over the past year, he opened branches in Haikou,   County, Qionghai and Wenchang, recouped all his initial fixed assets investments in the joint venture and even came up with a small profit.

Problems In Township Industry

China's township industry is currently going full steam ahead. While it has certainly come under pressure as the government seeks to restructure the urban economic system and intensify macroeconomic control and management, it has derived fresh impetus from the same developments to meet the demands of the planned commodity economy, enhance its ability and accumulate experience in the law of value so that it can bring prosperity to the rural economy and help realize rural-urban cooperation. Many township and town enterprises have also taken it upon themselves to export to earn foreign exchange. However, even as it continues to make headway, China's township industry is fraught with problems and difficulties that call for urgent solution. Among the major problems are:

1. Fund shortages. Fund shortages and cash flow problems are a widespread concern in township industry. Take Kunming, for instance. A study in 1985 found that township industry in the city needed over 200 million yuan in loans but obtained only 110 million yuan, 100 million short of their total credit requirements. As a result, a number of feasible projects and enterprises on the drawing board have been shelved.

2. Raw material shortages. The spirit of CPC Central Committee documents requires goods and materials agencies concerned from the central to the provincial and municipal levels to incorporate into their plans the raw material and fuel needs of township and town enterprises for manufacturing their major products, especially foreign exchange-earning exports. Many localities, however, have yet to come up with planned supply quotas for it. Surveys show that township industry depends on command planning for less than 10 percent of its raw materials and relies mainly on market regulation, which is a costly thing to do as it jacks up costs, to the detriment of its economic efficiency. Because of over-building, raw materials shortages and soaring market prices, a number of small-scale chemical fiber factories and textile plants have been operating under capacity.

3. A shortage of technology and skilled personnel. Outdated equipment, inaccessibility to information, low operational and managerial standards and poor industrial health management. Township industry desperately needs applied scientific and technological achievements. In early July 1985, Guangdong put together a trade fair in applied technology, featuring over 2,000 technical research achievements. As of 15 July, 179 contracts and letters of intent with a combined value of 53.29 million yuan had been signed. The vast majority of the buyers were township and town enterprises in prefectures and counties in Guangdong. Township enterprises are mostly equipped with obsolete machinery and lack technical personnel. Take Nangong County in Hebei, for instance. Beihuxiang Flour Mill paid 30,000 yuan for some equipment retired by a foreign factory, which, however, turned out to be antiquated and did not complement other hardware in the mill well. After the plant somehow managed to knock together the pieces and put them into operation, the output came to less than half the designed capacity. Its flour was so shoddy that the mill could not compete from the very beginning. Chuiyang Township spent 110,000 yuan on a set of advanced shoe-making equipment. Yet none of the seven "technicians" it successively hired from outside at a high salary has mastered the entire spectrum of shoe technology and are particularly inadequate when it comes to design. The enterprise failed 4 months after it went into business.

4. Excessive energy consumption. In 1983, township industry nationwide consumed as much as 60 million tons of energy. From 1980 through 1983, energy consumption by this sector grew 13.5 percent annually on the average, much of it accounted for by fuel inefficiency. For the nation as a whole, average energy consumption per 10,000 yuan in industrial output was 6.7 tons of standard coal. The corresponding figure for township industry is 7.5 tons, or 8.6 tons if we include noncommercial energy consumption. A major factor for excessive energy consumption is the over-development of building-materials and metallurgical enterprises, which are high energy users: In 1983, the building

materials industry accounted for 21 percent of the gross output value of township industry but 46 percent of its energy consumption. Metallurgical enterprises within township industry consume 2.4-fold more energy than the national average for every 10,000 yuan worth of output. The upshot is energy shortages in the countryside, which will inevitably hold back the growth of township industry, at the same time exacerbating the energy supply problem in rural areas.

All kinds of foreign investors can do much to help resolve these problems in township industry, for example, by going into joint ventures or contracting with local concerns to process imported materials, and through energy development, the introduction of advanced technology and equipment, technical innovation, equipment modernization, the development of new products, the upgrading of product quality and the improvement of operations, management and industrial health control, etc. China should offer foreign businessmen preferential treatment in accordance with the state's central policies, particularly those who provide township and town enterprises with advanced, practical, small-scale, specialized, modern and effective technology that will pay off quickly and substantially improve social and economic efficiency.

What Foreign Investors Should Beware Of When They Invest In Township Industry

Needless to say, when a foreign businessman invests in township industry, he must understand its intrinsic characteristics and not deviate from the overall demands of China's macroeconomy. As far as the characteristics of township industry are concerned, it is both commercial in nature and closely related to agriculture, which explains why township industry does not fit into the same mold as urban industry. It cannot be too large and should not duplicate the products of urban industry. Nor can it afford to ignore regional differences and the disparate conditions under which each operates. In other words, township industry must focus on local resources and local markets and should primarily satisfy local consumption and serve the development of agriculture and sideline production. When it is fairly well-established, of course, township industry should not hamper its own growth by confining itself to local materials, local processing and local sales. Township industry should take pains to turn out products others have ignored and supplement the larger sectors of the economy by coordinating and engaging in specialized cooperation with large-scale urban enterprises. Its winners should be a wide variety of specialized, high-quality, novel and inexpensive items produced in limited quantities. Township industry certainly includes enterprises that export their products in return for foreign exchange. According to survey data, some township and town enterprises have already geared their output toward the international market. For instance, universal couplings made by the Hangzhou Universal Coupling Company are selling briskly both at home and abroad and have garnered a domestic and international reputation, particularly in the US noted for its highly advanced auto industry. Another example is the Huamei Trademark and Decoration Company, founded with foreign imports by Yufushangying Xincun in Tong County, Beijing. Not only does it prepare trademarks and do printing jobs for firms in foreign trade but it will also undertake trademark and decorating projects for foreign businessmen extensively.

As far as the general demands of the national macroeconomy are concerned, the products of township industry by and large are not included in the command plan of the state. Nevertheless, township industry too should be amenable to the guidance of national planning, instead of reacting only to price-related information. It must not rush headlong unthinkingly into whatever is most profitable or stampede to produce a particularly hot item. Nor should it go in for all kinds of machine-manufacturing the moment "industry" is mentioned. "Industry" includes the local processing, transformation and comprehensive utilization of agricultural products (including agriculture, forestry, animal husbandry and fishery); services provided to farming and aquaculture before and after production, that is, the promotion of commodity circulation and infrastructural construction; the development of the building-materials industry, construction and other township industries that directly serve the countryside; and small hydropower stations, small coal pits, small thermal stations and small mines. Certainly an investment must be preceded by thorough research and feasibility studies to avoid imitation, shortsighted and mechanical duplication and unnecessary import. In importing advanced and appropriate technology, moreover, an investor should make it a point to train a host of production personnel to be technically competent and equip them with the skills to use and repair machinery. The initial stage of technology import should be integrated with the later stages of absorption, assimilation and innovation. Foreign investors should be farsighted and cooperate with China on a long-term basis to help the latter raise product quality and export to earn foreign exchange.

How To Solve The Problems Of Foreign Exchange Balance

Of utmost concern to foreign businessmen when they invest in the interior is the question of foreign exchange balance. On this issue, the Hong Kong and Macao Department of the Bank of China has made a number of suggestions. In its opinion, the best thing to do is to make full use of human and material resources on the mainland to produce goods at lower cost than in Hong Kong, Europe or the US, and sell them on the world market via the overseas marketing network, thereby earning foreign exchange. Of the 32 Chinese-foreign joint and cooperative ventures already in business in Tianjin, for instance, all had achieved a foreign exchange balance or surplus by mid-July 1985, and both Chinese and foreign partners have made a profit. Among them are 14 industrial enterprises whose foreign investors, including Remy Martin Ltd of France, Weima Company of the Federal Republic of Germany, and Da Zhong Pharmaceutical Company of Japan, have good credit standing and adopt the latest technology. These joint ventures have benefited from foreign capital and advanced technology. Their foreign partners' established sales and marketing networks, moreover, provide the products with reliable sales channels abroad. In addition, the enterprises researched the market meticulously beforehand, targeted products capable of prying open the international market fairly rapidly and have built up a good reputation. We believe that this approach is entirely feasible. As long as he runs his business properly and turns out internationally competitive products, the foreign businessman who invests in China can balance his foreign exchange and even achieve a surplus.

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BRIEFS

LARGEST NORWEGIAN-CHINESE JOINT VENTURE--Scan Dev A/S of Bergan has signed a joint venture agreement with the Chinese firm Hua Yuan Economic Development Co. for the building and operation of a commercial center of 65,000 square meters in Beijing. According to Scan Dev Director Ole Fjell the contract is valued at around 400 million kroner, and is the largest joint venture agreement ever made between a Norwegian and a Chinese company. [Text] [Oslo AFTENPOSTEN in Norweigan 7 May 86 p 40] /13045

CSO: 3639/110-P

TRANSPORTATION

RAILROAD CONSTRUCTION DURING 6TH 5-YEAR PLAN DESCRIBED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 2, 28 Mar 86 pp 2-3

[Article by Ministry of Railways Planning and Statistics Bureau Office: "Tremendous Achievements in Railway Building During the Sixth 5-year Plan"]

[Text] The 12th party Central Committee set the strategic goal of quadrupling the gross industrial and agricultural output value by the end of the present century, and railway construction is one of the strategic keys to the realization of this magnificent objective. During the Sixth 5-year Plan period, under the correct leadership of the CPC Central Committee and the State Council, 3 million railway staff members and workers carried forward the glorious tradition of arduous struggle in transportation, capital construction and industrial production to score encouraging achievements. In 1985, the volume of freight hauled amounted to 1.27 billion tons, up 17 percent from 1980. Passenger transportation reached 1.11 billion, up 21.6 percent from 1980. Passengers and freight converted into turnover volume terms reached 1,029,100,000,000 ton km breaking the 1 quadrillion mark for the first time in a 45.2 percent increase over 1980. Railroad transportation played an important role in satisfying needs for industrial and agricultural production and for the daily lives of the people.

As a result of diligent implementation during the Sixth 5-year Plan of policies of readjustment, restructuring, consolidation and improvement and of "careful calculation, and strict budgeting and economizing on investment," railroad construction embarked on a course of sustained and steady development. Comparison of 1985 with 1980 shows an increase in railroad operating distance from 49,940 km to nearly 52,000 km; an increase in the multiple tracked distance from 8,118 km to nearly 10,000 km; an increase in the electrified railroad distance from 1,667 to 4,000 km, and an increase in the distance over which diesel engines operate from 7,401 km to 10,000 km.

Focus on Intensified Construction of Four Main Routes

During the Sixth 5-year Plan, the railroads concentrated financial and material resources on improving the capacity of four main routes (routes for hauling coal out of Shanxi Province, north-south routes, routes between major regions and routes to areas behind coastal ports), placing emphasis on greater improvement of existing lines and the building of needed new lines. Work done on these four routes was as follows:

Construction of routes to haul coal out of Shanxi Province was the "key of all keys" project in railroad construction during the Sixth 5-year Plan. Shanxi is a major coal producing base for the country, providing coal to 25 provinces, municipalities and autonomous regions throughout the country as well as for export. Routes for hauling coal out of Shanxi Province (including the northern route, the central route and the southern route) became key projects during the Sixth 5-year Plan. On the northern route, projects completed were the major electrification of the section between Fengtai and Shacheng on the Beijing-Baotou line; the building of a new double tracked electrified line between Beijing and Qinhuangdao, and technical improvements to the Beijing-Taiyuan line. Construction work is currently being done at a rapid pace on the Dalian-Qinhuangdao line. On the central route, electrification of the Shijiusuo-Taiyuan line, doubletracking of the Shijiusuo-Dezhou line and doubletracking of the Jinan-Lancun line was completed. On the southern route, parts of the Taiyuan-Jiaozuo and the Xinxiang-Jiaozuo lines were doubletracked. Parts of the Nantongpu line were doubletracked and track was laid and traffic opened on the Handan-Changzhi line, the Yanzhou-Shijiusuo and the Xin-He line. As a result of improvements and expansions, capacity for hauling coal out of Shanxi today has greatly increased. State plans calling for an increase in coal hauling capacity from Shanxi from the 72 million tons of 1980 to 120 million tons in 1985 have been already achieved. In 1985, 126 million tons of coal were hauled from Shanxi in a 66.3 percent increase over 1980 for an average 10.4 percent annual increase.

2. A complete overhaul of north-south routes was carried out. The Beijing-Guangzhou line is an extremely busy trunkline running north and south. The section between Hengyang and Guangzhou was a single track with low hauling capacity that caused a bottleneck for the whole line. Consequently, doubletracking of the Hengyang-Guangzhou section became one of the key projects during the Sixth 5-year Plan. Doubletracking of the Hengyang-Guangzhou line extends for a distance of 542 km, 54 km of which has already been opened to traffic for an amelioration of the transportation shortage at the southern end of the Beijing-Guangzhou line. On the down line from Pingshikou, the amount of freight accepted for transportation has risen from the 11.38 million tons of 1980 to 15 million tons in 1985. In addition, the coming on stream one after another of the Zhicheng-Liuzhou line and the Anhui-Jiangxi line to divide the flow has reduced transportation pressures on the Tianjin-Pukou line and on part of the Beijing-Guangzhou line.

3. Construction of routes between major areas has been intensified. Improvements on southwestern routes have been accelerated. The Ankang-Chongqing line is an important route connecting southwestern China with the outside world, and once the section between Xiangfan and Daxian had been electrified, transportation capacity increased. Transportation has always been hectic on the Chengdu-Chongqing line, but once the whole line had been electrified, its capacity more than doubled and the transportation shortage moderated. Electrification and entry into service of the Guiyang-Kunming line (from Guiyang to western Shuicheng) was of major significance in expanding output of coal and phosphate in Yunnan and Guizhou. Electrification of the Hunan-Guizhou and Sichuan-Guizhou lines is underway.

Routes leading from northwestern China were further improved. The Longhai Line is a major east-west trunkline in China that is very busy. Completion of electrification of the Baoji-Lanzhou section of this line during the Sixth 5-year Plan substantially ameliorated the shortage of capacity through the Tianshui Pass. During the Sixth 5-year Plan, the Qinghai-Xizang line (Xining-Golmud section), the Southern Xinjiang line (Turpan-Korla), the Houxi Line (Xian-Yumenkou section) all came online.

New routes to and from northeast China were opened. During the Sixth 5-year Plan, not only was a technical transformation completed on the Beijing-Shanhaiguan line, the Shenyang-Shanhaiguan line, and the Beijing-Chengde line, but the coming online of the Beijing-Tongliao [Nei Monggol] line increased capacity to and from northeast China. In 1985, 23.6 million tons of coal went northward into China's northeast provinces in a 66.3 percent increase over 1980.

4. Routes to areas behind coastal ports. As a result of the construction and opening to traffic of the Beijing-Qinhuangdao and Yanzhou-Shijiusuo lines, and technical improvements carried out on the Jinan-Qingdao line and the southern portion of the Beijing-Guangzhou line, there was a marked rise in railroad capacity in the direction of Qinhuangdao, Qingdao, Shijiusuo and Guangzhou.

Steady Improvement in Design and Construction Techniques

With the expansion of railroad design and construction forces and improvement of technical equipment during the Sixth 5-year Plan, design and construction techniques also improved steadily. For example, the length of the main span and the technology used to erect the Hanjiang splayed steel member box type steel beam bridge was at advanced world standards, and a national gold medal was awarded for it. The 14.3 kilometer long Dayaoshan tunnel is presently the longest tunnel in China. New techniques such as full section excavation were used to create the 200 meter Yuecheng Cave. Excavation has already been completed for 12.3 km and the tunnel is nearing completion. On the Xinxiang-Hexiangqiao line, the exceptionally large Changdong Huanghe bridge is China's longest railroad bridge at 10.3 km. It took only 20 months to build it. Speed of construction was unprecedented. The Haergai-Golmud section of the Qinghai-Xizang Railroad was built on a plateau at between 2,700 to 3,700 meters above sea level, and more than 30 km of it was built across Chaerhan Salt Lake where the geology is complex and the weather very variable. Difficulties in its construction were such as have been rarely encountered in construction anywhere in the world.

Coordination of Yards and Lines By Building More Hubs

Insufficient coordination between the building of railroad yards and railroad lines over a long period of time has made it impossible to either make the most of or improve overall transportation capacity. In order to achieve coordinated development of yards and lines, during the Sixth 5-year Plan improvements and expansion was carried out mostly on the Beijing, Shenyang, Zhengzhou, Xuzhou and Shijiusuo hubs. Following expansion of the Zhengzhou hub, train classification capabilities have increased greatly. The project to expand the Shenyang hub is nearing completion, and classification capabilities there are now nearly twice again as great as they had been before improvements were made.

Increase in Locomotive and Rolling Stock Manufacturing and Repair Capabilities

China's railroad locomotive and rolling stock manufacture and repair industry has always been a weak link. During the Sixth 5-year Plan, forces were concentrated toward improvement, expansion, the introduction of techniques and equipment of industrial plants for a very great rise in production capacity. The Zhuzhou Electric Locomotive Plant had an annual production capacity of only 50 locomotives in 1980. Following improvements and expansion, in 1985 its production capacity increased to 100 locomotives. Production capacity for diesel locomotives also rose substantially. Output of Dongfeng Model 4 trunkline locomotives in 1985 was more than double the 1980 figure. In 1985 a total of 746 new locomotives were built including 385 diesel and electric locomotives. For the first time, China entered a new era in which the number of diesel and electric locomotives produced was greater than the number of steam locomotives produced. New passenger cars numbered 1,447, up 445 from 1980. Newly built freight cars numbered 19,327, up 8,756 from 1980. Repair of passenger and freight cars also increased very greatly. With the steady rise in the country's railroad passenger and freight volume, the numbers of locomotives and rolling stock supplied could not keep up with demand. During the Sixth 5-year Plan China imported a number of diesel engines, freight cars and passenger cars in response to the transportation shortage.

The quality of China-produced locomotives has risen markedly, and the variety of locomotives has also increased. Steady improvement of the quality of the Dongfeng Model 4 trunkline locomotive formed the basis for further research and development of the Dongfeng Model 8 locomotive with 6,400 horsepower that met international standards for large diesel locomotives. During this period, China was able to serially produce electric locomotives, and it developed the Shaoshan Model 3 electric locomotive. It also serially produced Shaoshan Model 3 locomotives. At the same time, in the field of research and development of passenger and freight cars it was able to produce large numbers of new model passenger cars, large heavy duty freight cars and special purpose cars.

In short, achievements scored in railroad construction during the Sixth 5-year Plan were tremendous. They lay a fine foundation for the Seventh 5-year Plan that is about to begin. Nevertheless, railroads face extremely daunting tasks during the Seventh 5-year Plan period. The rank and file of railroad staff employees and workers are now carrying forward the spirit of the foolish old man who moved the mountains in accordance with Central Committee requirements and objectives for railroad work. They are striving to upgrade railroad transportation and usher in a new situation in railroad work.

New Railroad Construction:

Main line track laying: 1,700 km, an average of 340 km per year, with a total of 4,260 km turned over for operation (including amount under temporary management).

Doubletracking: 1,700 km, an average of 340 km per year, with a total of 1,610 km turned over for operation.

Electrified railroads: 2,350 km, an average 470 km per year.

Rolling Stock Output:	1980	1985
Electric locomotive output:	40	100
Diesel locomotive output:	130	285
Steam locomotive output:	342	361
Freight car output:	10,571	19,325
Passenger car output:	1,002	1,447

9432
CSO: 4006/992

GUANGXI TO STRENGTHEN TRANSPORT INFRASTRUCTURE CONSTRUCTION

HK191608 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0650 GMT 16 May 86

[Text] Nanning, 16 May (ZHONGGUO XINWEN SHE)--During the Seventh 5-Year Plan period, Guangxi Zhuang Nationality Autonomous Region will build and expand over 30 railroad, highway, bridge, and port projects. It will strengthen the construction of the transport infrastructure in the areas of sea, river, and land transport. It will gradually form a network of sea and land transport systems which link the interior of southwest China to the coastal area of southern China.

On the sea, the region will continue to build the Fancheng Port district and will start building the Beihai Port district. It is expected that the projects will be completed this year. At the same time, the Nanning-Fancheng railroad linking the port to the Hunan-Guangxi railroad will be basically completed this year. Following the completion of the construction of the two ports, which will have a total of nine deepwater berths for ships of 10,000-tonnage, Yunnan, Guizhou, and Sichuan will be able to ship through the ports part of their export goods to Southeast Asia and European countries.

Regarding water transport, it will harness the Xi Jiang and will turn it into the main artery for water transport between southern China and the southwest part of China. The first stage of the project will be basically completed in the Seventh 5-Year Plan period. Fleets on 1,000-ton barges will then be able to sail directly from Guangzhou to Guixian. Yunnan, Guizhou, Sichuan, and Guangxi will be able to transport their goods to the Guangdong, Hong Kong, and Macao regions by using the Guizhou-Guangxi railroad and the railroads in Hunan and Guangxi going to Guixian Port and then sailing down the Xi Jiang. This is the most recent and economic transportation route for provinces and regions in southwest China providing links to Guangdong, Hong Kong, and Macao.

Regarding land transport, the Nanning-Fancheng Port railroad and the Nanning-Pingguo section of the Nanning-Kunming railroad will be completed and put into operation. In addition, the region will build or rebuild 11 highways, including the one linking Baise and Panguan, Guizhou, and the one linking Nanning to Beihai. The region will also repair 20 highway bridges in Wuzhou and over Xijiang, so as to create better conditions for developing the economies of towns and villages.

The above information is carried by JINGJI CANKAO, which is published in Beijing.

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CSO: 4006/1039

TRANSPORTATION

BRIEFS

NATIONAL TRANSSHIPMENT WORK MEETING--Chengdu, 18 May (XINHUA)--The national transshipment work meeting, being held in Chengdu, points out: During the Seventh 5-Year Plan, transshipping departments must speed up development; encourage all sectors of society to develop transshipment; expand transshipping networks centering around cities and extending to townships; and use transport departments' lateral associations to spur the development of lateral economic ties in all localities. The meeting points out: developing transshipment is an important measure to reform the management structure of communications and transport, tap transport potential, and raise the social and economic results of transport. During the Seventh 5-Year Plan, it is necessary to follow the principle of making transport facilities available in all places, extending through transport to cities and towns, and consolidating and improving existing railways and highways. It is particularly necessary to greatly develop through transport in areas where commodity economy has developed along the coast, the Chang Jiang, and the Beijing-Guangzhou, Beijing-Shanghai, Gansu-Lianyungang, and Harbin-Dalian railways. The meeting emphatically points out: Transshipping enterprises must ensure that their transport services are quick, safe, economical, and convenient. They must, following the principle of offering more service for small profits, collect fees reasonably. They are not allowed to collect fees by concocting various pretexts. [By reporter Zhang Jinsheng] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0143 GMT 18 May 86 OW] /12712

CSO: 4006/1039

TAIWAN

BRIEFS

OFFICIAL PREVIEWS TALKS WITH U.S.--Taipei, 29 April (CNA) -- The Sino-American trade conference gets under way Tuesday to review the ROC's [Republic of China's] duty-free export status under the U.S. Generalized System of Preferences (GSP). The key U.S. representative will be S. Kristoff, the aid to the special representative of that nation's International Trade Commission. Acting as temporary consultant to the American Institute in Taiwan, she will head discussions with local counterparts. The ROC's key representative will be Vincent Siew, director general of the Board of Foreign Trade. Siew pointed out that the agenda will focus on opening the ROC's local market, guaranteeing the protection of intellectual property rights, and workers' welfare, all of which will have a bearing on whether the ROC will be allowed to maintain its duty-free export status under GSP. Siew said the upcoming conference will preface the meetings to be held in the coming months. The trade talks will end Wednesday. [Text] [Taipei CNA in English 0256 GMT 29 Apr 86] /12640

NEW ZEALAND PLANS OFFICE IN TAIPEI--Taipei, 30 April (CNA) -- New Zealand is planning to set up a commercial office in Taipei as a move to strengthen trade relationships between the two countries. Jack A. Hazlett, president of the New Zealand Chamber of Commerce, made the announcement Monday as he visited Wang You-tseng, chairman of the ROC [Republic of China] General Chamber of Commerce. Hazlett is here for one week and will leave on 2 May. In response to the plan, Wang said he would work to provide all necessary assistance in bringing the proposal to fruition. New Zealand, which is rich in agriculture, forestry, and pasturage, mainly exports cheese, wool, leather, beef, and mutton, as well as imports crude oil, machinery, electronic equipment, chemical products, metal, and textiles. During the last 3 years, Sino-New Zealand bilateral trade has averaged U.S. dollars 150 million per year. The ROC suspended diplomatic relations with New Zealand in 1972 after that country recognized Red China. [Text] [Taipei CNA in English 0322 GMT 30 Apr 86] /12640

CSO: 4020/312

END

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China Report

ECONOMIC AFFAIRS

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ECONOMIC DEVELOPMENT ZONES

GOVERNOR REVIEWS FUJIAN DEVELOPMENT STRATEGY

Fuzhou FUJIAN RIBAO in Chinese 17 Nov 85 p 1

[Article by Weng Xinhui [5040 2450 6540]: "Fujian Must Find Its Own Way to Development"]

[Text] "The public impression of Fujian depends to a large extent on its impression of Fuzhou. Therefore, Fuzhou must fulfill its role as a 'pacesetter,' conscientiously sum up experience and be its own trailblazer in the open door policy and development. It must emphasize economic results, attain a high standard, stabilize its market, earn more foreign exchange and send more products into the international marketplace. It must function as a 'window,' a 'link' and a 'shining example.'" So said Governor Hu Ping [5170 1627] as he concluded a 2 1/2-day inspection of urban economic work in Fuzhou.

From the afternoon of 13th this month through 15th, Governor Hu Ping led a group of leading cadres from the provincial government and relevant departments and bureaus to Fuzhou to review our work. They successively visited Fuxin Kinescope Factory, Ronggang Aluminum Co, Ltd, Fuzhou No 1 Plastics Plant, the municipal cold storage plant, the Fuzhou Economic and Technical development Zone and the Shuangfeng Gold Fish Farm and Taijiang agricultural market in Taijiang Village in the outskirts. Wherever he went, Governor Hu Ping invariably immersed himself in the production areas and learned every detail about the production and operations of the concern he was visiting, particularly the amount of foreign exchange required, output value increases and the foreign exchange balance. He was briefed by Mayor Hong Yongshi [3163 3057 0013] and other relevant departments and became acquainted with some of the difficulties and problems facing Fuzhou in its work at the moment. He also discussed the solutions with the officials present.

Governor Hu Ping expressed satisfaction with Fuzhou's recent achievements in reform and the open door policy, particularly the modernization of old enterprises, the introduction of advanced technology and equipment, the Fuzhou Economic Development Zone and urban construction and administration. He said, "My overall impression of the municipality is this: it has had some achievements and acquired some experience. It is full of drive and although it has problems, it also has hope. " Then he asked of Fuzhou a number of things in its economic work in the next 2 years. First, Fuzhou must fully recognize its heavy historical responsibility. As the provincial capital, a hub city, a port city, and an opened city, Fuzhou should become the province's domestic and international window and function as a link and be a shining example. It should also be a new scientific and technical development center. Second, Fuzhou must hack out a path for itself in implementing the open door policy and development, instead of following in others' footsteps. It should exploit its own strong points and minimize its weaknesses, such being the only way to be competitive. Moreover it must pay attention to product renewal and succession, import new technology and develop new products. Third, in its economic work in the next 2 years, Fuzhou should focus on four aspects: emphasize economic results, improve standard, earn more foreign exchange and stabilize the market. As an opened city, Fuzhou should take pains to earn foreign exchange. It can go in for processing with imported materials, compensatory trade, labor export and so on. Fourth, it must unleash the initiative of all sectors of the population and mobilize the entire city's workers, peasants, scientific and technical personnel and overseas Chinese to come up with ideas to accelerate the municipality's development. Fifth, it must strengthen urban construction and administration and, depending on its actual conditions, adopt modern managerial techniques to run the city.

Governor Hu Ping also hoped that the various relevant departments in the provincial government would actively support Fuzhou's development by providing information, technology, projects and funds. He was accompanied by Vice Governors Wang Yishi [3769 0001 1102], Chen Mingyi [7115 2494 5030] and Chen Binfan [7115 1755 5672] on his inspection tour.

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CSO: 4006/533

ECONOMIC DEVELOPMENT ZONES

IMPROVING AIR SERVICE, TELECOMMUNICATIONS IN ECONOMIC ZONES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 16 Dec 85 p 3

[Text] Officials from the Civil Aviation General Administration disclosed a few days ago that airport construction will be completed and air routes established at all special economic zones [SEZ's] and opened coastal cities in the early part of the "Seventh 5-Year Plan" period.

Of the 14 opened coastal cities and 4 SEZ's, 15 cities have air links with other places. Airport construction or expansion is under way in Beihai, Wenzhou and Nantong. These facilities will be put into service in the next couple of years.

In the year or more since China further opened 14 coastal cities, Yantai, Ningbo, Qinhuangdao and Lianyunguang have successively become accessible by air. The Civil Aviation General Administration has set up over 20 air routes flying into opened cities, increased scheduled flights between Shanghai and Japan and the U.S., and added three international air routes linking Beijing with Australia, Singapore and Kuwait, all via Guangzhou. There are now scheduled or charter flights between the six cities of Guangzhou, Shanghai, Xiamen, Tianjin, Fuzhou and Haikou, and Hong Kong.

Government investments and local funds have made possible the construction or expansion of more than 10 airports in opened coastal cities. After expansion, airports in Dalian, Qingdao, Haikou and Zhanjiang can now accommodate the landing and take-off of wide-body jets. Xiamen used foreign capital to build its international airport and founded the Xiamen Aviation Company which now offers services between Xiamen and nine domestic and foreign cities.

It has been learned from the Ministry of Posts and Telecommunications that China is stepping up the construction of telecommunications facilities in SEZ's and opened coastal cities. Estimates are that those facilities will be able to provide foreign investors will telex services next year. By 1987, international long-distance automatic dialing will be available in most cities.

An official from the Ministry of Posts and Telecommunications said that program-controlled telephone switchboards imported from abroad have been put into service in Shenzhen, Guangzhou, Fuzhou, Xiamen and Tianjin to handle municipal and long-distance calls. Similar switchboards are expected to be operational in most other coastal cities next year.

The official said that the following projects, now under construction, are scheduled for completion and operation next year: the 1,800 channel microwave between Nanning and Beihai; the 960 channnel microwave between Xuzhou and Lianyunguang; and the digital microwave circuit between Haikou and Sanya (on Hainan Island), which has a transmission speed of 2 x 34 megahertz. The 960 channel, small concentric-lay cable between Pingdu and Yantai is also under intensive construction.

Two international communications exchanges are being built in Beijing and Shanghai and will go into operation at the end of next year or early 1987, upon which international long-distance automatic dialling services will become available in cities with program-controlled switchboards.

Officials from the ministry said that the government has also installed much-needed semi-automatic international long-distance telephone facilities in SEZ's and opened coastal cities, most of which are expected to be delivered to users by the end of the year.

Minister of Posts and Telecommunications Yang Taifang [2799 3141 5364] has said earlier, "Automatic dialing for international long-distance calls will gradually become a reality in provincial capitals, economic centers and opened coastal cities in the next 5 years."

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CSO: 4006/628

ECONOMIC DEVELOPMENT ZONES

BRIEFS

FOREIGN CAPITAL IN QINGDAO--Qingdao is accelerating the pace of utilizing foreign capital. In only a bit more than one year's time it has signed 47 contracts to utilize foreign funds at a direct investment of more than $115 million. Some 15 of the projects are joint or cooperative ventures using more than $106 million. Characteristics of Qingdao's foreign fund usage follow: 1. Foreign investment is mainly directed toward industry. Some 60 percent of the 15 joint and cooperative venture projects for which contracts have already been signed are of a productive nature. Rather large projects include the Hualin Plywood Co Ltd, a joint venture between the Qingdao Furniture Co and Finland, with a total investment of $18.88 million and the Qingdao No. 2 Brewery, a joint venture between the Qingdao Beverage Co and Hong Kong and Macao, with a total investment of $58 million. 2. The goods are mainly sold abroad. All quartz and electronic watches produced by the joint venture between the Qingdao Watch Works and Hong Kong are sold abroad. Dry white wine produced by the Huadong Grape Rice-Wine Co Ltd and plywood made by the Hualin Plywood Co Ltd is exported, 90 percent and 72 percent, respectively. All other projects are also able to achieve a foreign exchange balance. 3. The emphasis is on the development of technology-intensive light, textile and electronics industries. Joint and cooperative ventures in these industries account for 82 percent of the total amount invested. [Text] [Jinan DAZHONG RIBAO in Chinese 7 Nov 85 p 2] 12615

CSO: 4006/537

FINANCE AND BANKING

REFORMS IN BANKING SYSTEM OUTLINED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 17 Nov 85 p 1

[Article by Zhang Yushu [1728 3768 2579] and Liu Xiao [0491 7197]: "Ten Point Reform of China's Finance and Banking System Carried Out. Beginning Made in Comprehensive Use of the Role of Economic Levers. Continuing Efforts Required to Eradicate Existing Shortcomings"]

[Text] Chinese People's Bank Deputy Director Liu Hongru [0491 7703 0320] noted recently in a conference of managers of Chinese banks and insurance companies abroad that after several years of reform, China's banking and finance system has made a preliminary start at getting rid of its image as purely a "paying and receiving agent" for savings and loans and has taken major strides along the road toward a "bank that really does banking and makes use of the role of economic levers."

Deputy Director Liu said that China's finance and banking system had carried out reforms mostly in 10 regards since 1979 as follows:

A start in change of mentality of "stressing loans and slighting savings," focusing attention to the use of economic methods to expand savings and amass funds. Concurrent with the expansion of self-determination in enterprises and a rise in the people's earnings level since 1979 has been a rise in bank interests rates on savings accounts, an increase in the number of savings accounts, the establishing of more outlets at the grassroots level, and a tremendous increase in bank deposits. During the six year period 1979 through 1984, the annual increase in deposits averaged 38.1 billion yuan for an annual 20.2 percent growth.

Expansion of the scope of loans and broadening of eligibility for loans. A change has been made from the issuing of loans only for use as circulating funds to issuance of loans for fixed assets; from the issuance of loans principally to state-owned enterprises to issuance of loans for economic diversification and to individuals; and from the issuance of loans only in the production and goods circulation areas to issuance of loans to all trades and industries. Now the bank may make a loan so long as it is socially necessary, is in keeping with policy provisions and can be repaid.

Reform of the loan control system, demolishing some of the red tape surrounding the "supply system," and a beginning to apply loan and interest economic levers to promote a rise in economic effectiveness.

Preliminary reform of the undiversified modes of bank credit, trying out flexible and varied credit forms. For example, commercial credit, credit to sellers, discounting of bills, consumer credit and trust business have played a positive role in enlivening the economy. Some places have issued checks and business debentures as means of amassing more funds.

Reform of the foreign exchange control system and the foreign exchange credit system, expanding monetary dealings with foreign countries. Reform of foreign exchange controls, institution of a withholding system, and flexible readjustment of foreign exchange prices have promoted foreign trade. In addition, the most has been made of the role of banks as windows for raising money from outside China and for operating various kinds of foreign exchange savings and loans businesses.

Reform of the banking system and establishment of a central banking system with separate specialty banks, founding of many other kinds of financial institutions, and preliminary formation of a cooperative financial system with the central bank at the center, in which specialty banks play a major role and in which other financial institutions share labor.

Reform of the credit funds control system. Banks instituted a control system consisting of a centralized internal planning, level by level management, linking together of savings and loans, and responsibility for shortfalls. Unified planning among all banks, dividing up of funds, loans based on deposits and a mutual accomodation management system were instituted, which rather effectively aroused the enthusiasm of government and banks at all levels for comprehensive control of credit funds.

Revival of the insurance business within the country, and establishment of an insurance economic compensation system. With expansion of the commodity economy, we rapidly revived and developed the internal insurance business that had been halted for 20 years, and the number of kinds of insurance have increased to 120. In addition, foreign insurance has also rapidly expanded, the kinds of insurance increasing to more than 30.

Preliminary change in the nationwide unified receipts and disbursements financial control system and bolstering of economic accounting.

Preliminary establishment of a bank economic information network and buttressing of economic research and theoretical research to provide large amounts of valuable forecasting for economic reform and to increase the effectiveness of the macro-economy.

Deputy Director Liu Hongru believes that though the reforms carried out so far have been only prelimiary and partial, and that even though various shortcomings existing in the country's financial and banking system have not been fundamentally eradicated; nevertheless, the thrust of reform is toward the target and its effect is immense. They should be continued and steadily expanded and improved.

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FINANCE AND BANKING

BANK OF CHINA IN SHANGHAI KEY SOURCE OF JOINT VENTURE LOANS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Nov 85 p 3

[Article by Chen Maodi [7115 3029 1717]: "Shanghai Branch of Bank of China Expands Business. Further Expansion of Scope of Loan Business. Supports Needs For Chinese and Foreign Joint Venture Capital"]

[Text] Business has steadily increased during the past 2 years at the Shanghai branch of the Bank of China and achievements have been scored.

The deputy director of this bank branch which specializes in foreign exchange,Zhou Mengxiong [0719 1125 3574], recently spoke of several achievements to reporters that demonstrated progress in expansion of the branches' business.

He said that the Shanghai branch bank had made loans to more than 70 percent of the Chinese and foreign joint venture businesses in Shanghai. Chinese and foreign joint venture businesses in which it had invested included not only the Shanghai Dazhong Automobile Co.Ltd., but also in a Shanghai joint venture with Pilkington Co. of England for float glass, a joint venture with the Hong Kong Globe Toy Co. for zinc alloys, and a joint venture with the United States Consolidated Marine Petroleum Company.

The Shanghai branch bank now offers bank guarantees and notary public services, providing guarantees on loans for domestic and foreign customers.When a German bank provided the container factory of the Shanghai Shipyard with a 22 million mark loan in what was Shanghai's largest compensation trade processing imported materials--importing a conveyor production line and materials from the Federal Republic of Germany for the production of containers--the Shanghai branch ofthe Bank of China provided the final reimbursement gurantee,bringing the project to a settlement.

Zhou Mengxiong also indicated that the bank will continue expanding its range of services,including the following:

--Further expansion of the scope of loan services to support loan requirements of Chinese-foreign joint venture enterprises, including providing various operating capital and fixed asset loans;

--Active participation in syndicated loans with foreign banks;

--The providing of loan and credit services to foreign investors; and

--Development of its "pivotal" and go-between roles in attracting foreign capital.

Deputy director Zhou Mengxiong said that Shanghai will continue to encourage attracting of foreign investment and welcome even more foreigners to come and set up factories. The Shanghai branch of the Bank of China will provide better services in aspects such as loans and accounts settling, and is also willing to participate in cooperative ventures with foreign businesses.

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FINANCE AND BANKING

BANK OF CHINA OVERSEAS BRANCH DIRECTORS MEET IN BEIJING

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Nov 85 p 3

[Article by Liu Xiao [0491 7197] and Zhang Yushu [1728 3768 2579]: "Bank of China Pioneers Business Abroad. Very Great Increase in Both Savings and Loans During Past 6 Years. Directors of All Overseas Branches Study and Discuss Plans in Beijing"]

[Text] The work of both the Bank of China and other Chinese banks abroad has expanded appreciably. Between 1978 and 1984, business volume increased 4.4 fold. The information was obtained by this correspondent from the meeting of directors of overseas branches of the Bank of China, which opened in Beijing on 1 November.

A briefing placed the number of Bank of China branches abroad at 293, and the number of employees at more than 9,500. The scope of operations has expanded steadily and business is in process of developing in the direction of becoming more diversified and internationalized. Business vitality has become stronger and the level of management has risen. As of the end of 1984, the total value of assets in branches abroad amounted to $18.3 billion, up 2.9 fold from 1978. Savings deposits amounted to $9.6 billion, an almost twofold increase from 1978, and loans amounted to $4.7 billion, a more than threefold increase from 1978. In addition, the financing capacity of branches abroad has markedly improved and both influence and confidence have increased. Chinese banks in the Hong Kong and Macao area have preliminarily formed into a bloc that has become an increasingly important element in the stability and prosperity of Hong Kong and Macao.

Branches abroad have made considerable strides in supporting China's four modernizations. In 1984 alone, banks in the Hong Kong and Macao area directly or indirectly used more than 500 loans totaling more than HK$4 billion for construction or trade in China, and they worked jointly with other units concerned in Hong Kong in the holding of urban investment meetings open to the public for the promotion of Chinese and foreign economic cooperation. London, New York and Singapore branches have suported the building of some major projects in China through export loans and banking group loans. All branches are urging customers to invest in China and they have done much work in providing them information, credit surveys and consulting services.

The main topic for discussion at the meeting of the directors of Bank of China overseas branches was how these branches could better serve the building of China's economy during the period of the Seventh 5-year Plan. The conference will draw up a work plan for the Seventh 5-year Plan period based on a summarization of work done at the conference, and the meeting will close on 23 November.

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INDUSTRY

TECHNOLOGICAL PROGRESS, DEVELOPMENT OF STEEL INDUSTRY

Shenyang DONGBEI GONGXUEYUAN XUEBAO [JOURNAL OF NORTH EAST INSTITUTE OF TECHNOLOGY] in Chinese No 4, Dec 85 pp 107-114

[Article by Shao Xianghua [6730 6272 5478]: "Iron and Steel Industry Develops Rapidly Amidst Technological Progress"]

[Text] Iron and Steel Industry--"Sunset Industry" Or "Sunrise Industry?"

China has a long history of metallurgy but its modern iron and steel industry began to develop only after the founding of New China. Its steel output in 1983 was 40,020,000 tons, which ranked fourth in the world. This is a great achievement that deserves cheers.

During the past 35 years the development of China's iron and steel industry went through several major phases of ups and downs. During the periods of recovery and the First Five-Year Plan between 1949 and 1957, the growth of steel output was normal and exponential. From 1958 to 1960, high quotas were pursued and output doubled but it created serious imbalance in the national economy, and during the "hard times" that followed output essentially dropped to the initial level prior to the Great Leap Forward. From 1962 to 1966, the industry returned to normal growth but with the start of the 10 years of turmoil steel output fell sharply once more. Subsequently it went up and down repeatedly, finally fluctuating around 23,000,000 tons for 6 or 7 years. Relatively stable growth resumed after the cultural revolution, and by 1983 output exceeded 40,000,000 tons. We can very roughly assume that without those two major disruptions and if the iron and steel industry had been able to expand in a normal way, then even if the growth rate was slower than that of the period 1952-1957, an annual output of 40,000,000 tons could have been reached even before 1970. It should be pointed out that such growth is possible. Among the three countries whose current steel output is higher than China's, Japan had indeed achieved relatively stable high rate of growth from the time after the Second World War to the 1973 oil crisis, attaining an output of 119,000,000 tons in 1973. The growth of the Soviet Union's postwar steel output was even more stable and sustained, with an output of 151,000,000 tons in 1978. U.S. steel output exceeded 100,000,000 tons as early as the mid-1950's. Subsequent fluctuations were great, but it also set a record of 137,000,000 tons in 1973.

After the early 1970's the development of iron and steel in the major steel-producing countries underwent fundamental changes. The steel output of the U.S. and Japan underwent great fluctuations and the overall trend was a sharp decline, of which the U.S. output fell to half of that in 1973. The circumstances with Western European countries were similar. Soviet steel output did not fluctuate much but even so it ceased to grow after 1978. At the same time, the growth of the iron and steel industry in some Third World countries and regions was noticeable, particularly the Chinese mainland (see above), the Chinese province of Taiwan (which grew from 470,000 tons in 1971 to 50,300,000 tons in 1983). South Korea (which grew from 550,000 tons in 1971 to 11,920,000 tons in 1983), and Brazil (which increased from 6,000,000 tons in 1971 to 14,650,000 tons in 1983).

The serious recession in the U.S. iron and steel industry during the last 10 years or so occurred at the same time as the recession in its other traditional manufacturing industries such as automobiles and heavy machinery. Be because it leads the whole world with the rapid development of its "high-tech" economy represented by electronic computers, during this period the U.S. economy did not collapse because of its sagging basic manufacturing industries but its GNP continues to rank first in the world.

Such an intensive change in the U.S. economic structure would certainly cause active reactions from the circles of thinkers. Through the news media and some "best sellers" in the past decade, a number of thinkers and futurists represented by Baier, Toffler, and Nesbitt successively put forth new views on social development which captured the attention of many people and transmitted abroad. In their view, mankind began to move from a primitive towards an agricultural society 10,000 years ago and began to move towards an industrial society 200 to 300 years ago. But now it has reached a new stage and is advancing in an ever-increasing pace toward a "post-industrial society," "super-industrial society," "high-tech society," "information society" or "the third wave of civilization" (different terms are used by different authors). It is evident from their writings that this new society they speak of generally refers to one characterized by computers, information transmission and processing, new sources of energy, new types of materials, marine development, biological techniques and robotics. Reportedly, the majority of people in this society no longer engage in the production of goods but provide services, and so-called services are in fact primarily the creation, processing and distribution of information. Some of them use the term "sunset industry" to describe the capital-intensive traditional manufacturing industry including the so-called "smoke stack industry," and maintain that they are rapidly being eliminated. They also blame their government which has adopted certain policies aimed at increasing production for being "short-sighted," "prolonging the life of dying companies" and "hindering the growth of 'sunrise industry'."

Industrially advanced countries, particularly the trend of growth and opinion in the U.S. described above, greatly differ from China which is concentrating its strength on the four modernizations and therefore this deserves our attention. Lately, some of their books have been published in China, some video tapes have been shown and a great deal of interest has been aroused. Their viewpoints described above have exerted considerable influence on some people. In order to clarify this issue, I have recently looked into and studied the writings of those futurists and special American publications and checked with well-known figures in science and technology who have visited China and found the following points worth noting.

1. What those futurists describe are circumstances in the American society. Although they speak of the course of development in the U.S. as the fore trend of the entire world, at least they have not clearly stated that countries which have developed industrially late should also abandon industrialization in favor of information now. On the contrary, some authors have stressed global mutual economic coordination and argued that the world should become one in which "countries depend on each other." Clearly, what they mean is that basic manufacturing industries should be left to the Third World while the Americans themselves engage in a "high-tech" economy.

2. The viewpoint that sets up an antithesis between "high technology" and industrialization or basic manufacturing industries does not have general support in the American society. I have asked several well-known American professors who visited China this year and they replied that they had not heard of any argument for the imminent elimination of "sunrise industry," "sunset industry" and basic manufacturing industries in the U.S. A council member of the Chinese Academy of Sciences who has recently returned from a visit to the U.S. also said that he posed the same question with the same concern to many authoritative figures in scientific and technological circles in the U.S. and most people gave the same response. Clearly, the argument for industrialization giving its place to information has not aroused much interest even in the U.S. itself or at least American scientific and technological circles.

3. It is true that some people in the American industrial circles and scientific and technological circles have published their opinion on the viewpoints described above, not in favor of them but against them. For instance, the "outstanding speech" on materials and society in 1983 (written by Smith) of "Metallurgical Transactions," one of the most important publications in metallurgical studies in the U.S., used a great deal of facts to illustrate that the main causes of the great difficulty encountered by the American mining and metallurgical industry in recent years are not the frequently cited reasons of depletion of resources, environmental pollution and international competition. Rather, they are of social causes, confusion caused by some people who take advantage of the "freedom of speech" and forget their own responsibility toward the society and carry some of their own deductions to the extremes. In the same way, as pointed out by Timken Company's chairman of the board in his articles, if Americans indeed agree that they must abandon manufacturing industries and act on it, it will create disastrous consequences for the American economy since weakening basic industries will inevitably weaken overall economic strength. The current president of the American Society for Metals pointed out in a recent report that the output value of basic industries in the early 1970's made up 48 percent of the total manufacturing output value but it was 51 percent in 1981 (output value of "high-tech" industry in the same year was 22 percent), so evidently basic industries are still the cornerstone of the U.S. economy. He also stressed the close connection

between basic and high-tech industries, the necessity of common growth, and the indispensability of both. It would appear that in the U.S. itself, people in scientific and technological circles and industrial circles differ greatly in their views from the futurists mentioned above. What they stress is the need to strengthen basic manufacturing industries, fully adopt modern technology in basic manufacturing industries and fully utilize "high technology" to rescue heavy industry.

4. The structural reform in the change from an industrialized society to a "post-industrial society" does not conform to U.S. national policy. It should be pointed out that national policy is frequently contradictory and inconsistent in a country such as the U.S. Pressured by public opinion, different parts of the U.S. have indeed carried out many policies that are unfavorable to the growth of traditional industries such as excessively strict environmental protection regulations, excessively high wage scales and the disadvantageous tax system. But as a representative of general policies, the U.S. Congress passed the National Materials Policy Act in 1970 and stressed the need to maintain a strong mining and metallurgical industry for the national economy and national security. In 1980 it again passed the National Materials and Minerals Policy Act which was similar in substance. "Basic research on iron and steel" was one of the 15 key areas of engineering technology in the next decade as put forward by the U.S. National Science Board earlier this year.

I think it is clear from the above that the argument of industrialization being outdated, which has continually appeared in American society in the last decade, is only born in the minds of some thinkers in reaction to the prolonged depression in the industries. It is transmitted through large-scale public opinion media and popular literature and is spread more widely than serious writings so that it has created considerable influence over the general public and has indeed created unfavorable conditions for industrial growth. I believe that if we treat such a one-sided view as a matured theory and allow it to have extensive influence in China, our determination and confidence in our efforts in the four modernization drive will be hindered.

China's steel output currently ranks fourth in the world but its import of steel products is also among the highest. When China's gross industrial and agricultural output value quadruples by the year 2000, even more steel products will inevitably rely on imports. This condition is very abnormal and we must narrow the gap as much as possible. Our party and government are leading iron and steel circles in the country in an effort to accomplish this. If countries which are developed in iron and steel indeed abandon or weaken their iron and steel production according to the arguments of those futurists, then it will be even more urgent for us to develop our own iron and steel industry at high speed. In this sense, their "major trend" is a challenge for us.

In order to narrow the critical gap in China's steel products in the future, we must never rely on what certain prophets say, replacing them with "more advanced" materials. The use of other materials (such as aluminum, plastics, composite materials, and ceramic materials) to replace iron and steel for certain purposes has already been realized and undoubtedly this will have to be expanded in the future. But evidently, due to limitations of technology and economic considerations, the quantity and variety of possible substitutes can constitute only a very small portion for a long time to come. Therefore, our only choice is to assimilate, develop and create even more advanced iron and steel techniques, technology, equipment, and processes through science and technology and other areas in order to build a new foundation for the future. Therefore, in my opinion, the iron and steel industry is not a "sunset industry" in the U.S. and less so in China; it is a "sunrise industry" that has developed along with the growth of New China which still needs to be actively expended in the future and which will distinguish itself and flourish in the four modernizations.

If we do not regard "high technology" as an uncompromising competitor of traditional industries but as a partner that helps each other forward, the reform and growth of traditional industries will be enormously aided by traditional industries. In the iron and steel industry, computer-aided management, operating control, and design have already produced important economic results, and it is highly likely that they will be more fully utilized and developed. The use of the laser as a method of metallic finishing and a basis for test technology has already been realized and its future is bright. The use of biological techniques to develop new methods in prospecting, ore dressing, and fighting environmental pollution has yielded results. Marine development has provided the metallurgical industry with new resources. New low-cost energy will remove a serious limitation to the growth of iron and steel. It is evident from these examples alone that in the short run or the long run, the development of "high technology" will provide numerous opportunities to the growth of the iron and steel industry. Metallurgical scientists and technicians should not let these opportunities pass by but should make use of and develop them. Conversely, the growth of "high technology" itself requires a great deal of metallic materials with new functions, many of which must be undertaken by the iron and steel industry. This is a challenge as well as an opportunity.

Some Views on New Technology in Iron and Steel Production

Prolonged depression in the iron and steel industry abroad has made international competition even more intense. This has resulted in a great deal of technological transformation and even new technology and processes so that the face of iron and steel works continually changes, laying the foundation for future growth. One may say that progress in the iron and steel industry is also in the ascendant worldwide. From our vantage point, those people who maintain that it is rapidly declining are far out of touch with reality.

Extensive work has begun in many areas of China's iron and steel production technology, some of which have already yielded tangible economic results. I will discuss ideas and suggestions on several major areas of development for use as reference.

1. Converter composite blowing

Compared to top-blown converters, bottom-blown converters which came out in the 1960's have good molten bath mixing so that they have brought advantages including a high rate of return, ecomonization of deoxidants, ease in smelting low-carbon steel and increased capacity. In a matter of several years they have built a production capability of 30 to 40 million tons in several countries.

However, bottom-blown converters came out after many large modern enterprises were established in various countries, and along with the depression after 1973 they quickly ceased to expand and some of the ones constructed have even stopped or cut down production. The depression set off competition for survival among enterprises which all sought to increase efficiency. People quickly discovered that results essentially similar to those of bottom-blown converters can be produced by merely blowing in a small quantity of gas at the bottom of top-blown converters. Once this so-called "composite blowing" came into existence it spread quickly throughout the world. Today, the absolute majority of top-blown converters in Japan and major steel producing countries in Western Europe has been transformed into composite blowing. Bottom-blown converters which have been constructed have also been installed with top oxygen blowing, resulting in a new form of composite blowing. Small wonder someone has predicted that no longer will anyone build converters that are purely top- or bottom-blown.

Like other new technology, there is a great variety of composite blowing. The founder of each method makes up his own name, and as a result a large number of names for composite blowing, totalling more than 20, has appeared from top-blown to bottom-blown converters.

These methods primarily differ in: (1) the quantity of bottom-blown gas, the type of gas used (argon, nitrogen, air, carbon dioxide, or oxygen), and the method of blowing (double-layer casing, circular seam pipes, seamed bricks, porous plugs); (2) the quantity and form of top oxygen supply; (3) whether solid materials are sprayed at the same time (flux or fuel). Many steelworks in China have adopted composite blowing for their original top-blown converters and have obtained good economic results. The Wuhan Iron and Steel Works uses argon. The Ma'anshan Iron and Steel Works, which is experienced in bottom-blown converters uses oxygen. Most of the other steelworks currently use nitrogen. The Capital Iron and Steel Works has tested the use of nitrogen in the former phase and switched to carbon dioxide in the latter phase. The gas intake components used by the various steelworks include all the varieties except porous plugs.

It is natural that each steelworks uses the most economical and effective method of composite blowing under its own circumstances. There is no need to demand uniformity. Some overall views on composite blowing are discussed below:

(1) The key to metallurgical results and economic benefits in composite blowing described above is mixing. The strength and weakness of the function of mixing is determined primarily by the quantity of airfow, and secondarily by factors such as the type of gas used and the way it is blown into the molten bath. But blowing nitrogen tends to increase the amount of nitrogen in the molten bath when blowing oxidizing gases plays a strong role in the corrosion of refractory materials particularly in the latter phase of smelting.

Argon is the most ideal mixing gas but it is too expensive. A rational way is to blow other gases in the former phase (determined by the specific conditions), and switch to argon in the latter phase. Argon should be recovered in the steelworks' own oxygen station and supplied for converter mixing and other uses.

(2) Compared to those in Japan, the U.S., and many in Europe, the sulphur content of molten iron is relatively high in quite a few steelworks in China. Intensifying the effect of mixing on molten bath dephosphorization is a complex problem. People frequently say that composite blowing is beneficial to dephosphorization, meaning that the phosphorus content of slag at the end of the latter phase of converter blowing is lower than the balance value, and that intensifying mixing can enable even more phosphorus to enter the end slag and lower the amount of end phosphorus. On the other hand, it is precisely a state of deviation from balance that can impel any reaction to take place; slag concentration (ferrous oxide) exceeding the value of molten steel balance can speed up dephosphorization. Therefore, if the molten iron is high in phosphorus, intensifying mixing may in fact lower the productive capability of converters. For steelworks which use raw materials high in phosphorus, the best mixing system needs to be determined through tests in order to assure the required degree of dephosphorization and at the same time without being too high in the end slag (ferrous oxide).

2. New technology of higher scrap steel consumption by converters

The growth of converters and decline of open-hearth furnaces have caused a surplus of scrap steel in the world. This makes higher consumption of scrap steel by converters an issue with strong economic significance. Compared to top-blown converters, the scrap steel consumption capability of bottom-blown converters and composite-blowing converters is much lower. Many bottom-blown converters abroad can amend this shortcoming by blowing oxygen on the top so that the carbon monoxide in the converter gas is burned into carbon dioxide.

This is also one type of composite blowing. For the same purpose, many composite converters refitted from top-blown converters also have the structure of their top-blown oxygen guns transformed to supply oxygen for secondary combustion (double-flow oxygen gun) apart from the main oxygen flow. Based on the experience abroad, this can enable the scrap steel ratio to regain its original level in top-blown converters or even surpass it. But the quantity of carbon monoxide generated in converters is limited by the composition of molten iron while secondary combustion reaction cannot fully take place under high temperature conditions inside converters. Consequently the ability to increase the scrap steel ratio by the this method alone is limited, which is under 100 kilograms per ton of steel.

One way to drastically increase the scrap steel ratio is adding more fuel to converters. Over a decade ago some steelworks abroad added coal or crushed coke into ordinary top-blown converters and were indeed able to somewhat increase the quantity of scrap steel, but terminal control was difficult and there were dangers of increased nitrogen in molten baths and hindrance to dephosphorization. Subsequently, two steelworks in Britian and Holland cooperated in using double-flow oxygen gun on a 100-ton composite-blown converter and adding anthracite through the mouth at the same time, but the increase of scrap steel did not exceed 30 kilograms per ton.

West Germany has recently developed several methods to increase the scrap steel ratio by simultaneously blowing in gum and powdered coke at the bottom of bottom-blown converters. The KMS method, which has been in production for many years and which consumes 55 kilograms of coal per ton and 90 cubic meters of oxygen per hour, can reach a scrap steel ratio of 50 percent. Moreover, two 125-ton converters have been built using the KS method with the aim of using 100 percent scrap steel (and sponge iron) as raw materials, which competed with the super-high power electric furnace. Further more, there is the COIN method which is being tested and which differs from the KS method primarily in the construction of their bottom-blown components.

China has a smaller supply of scrap steel than Europe and the U.S. and there is no demand for converters to use 100 percent scrap steel as raw materials. But increasing the scrap steel ratio is still an issue of great economic significance and it become even more prominent for converter plants which use semi-steel as raw materials. Besides, quite a few converters in China currently use molten iron from cupola furnaces as raw materials and each year they consume millions of tons of high-grade coke, which is not economical. We believe that by learning from the experience of West Germany and by studying and developing our own composite blowing methods of blowing coal and oxygen, we can tackle the problem of certain plants in drastically increasing the scrap steel ratio and provide a method to curtail and even avoid cupola smelting.

The purpose of the COIN method of West Germany is not limited to the consumption of scrap steel by converters. Further research is being undertaken to use waste gas of coal-spraying converters as the reducing reagent of iron ore and the iron after reduction as the raw materials for coal-spraying converters. In this way, the growth of composite converters is intertwined and combined with reduction by melting, forming a new iron and steel production process which is discussed in the next section.

3. Direct reduction and reduction by melting

Integrating the new (pangang) process, China has done a great deal of research on direct reduction. Extensive research on reduction by melting has been undertaken abroad in recent years. Quite a few units in China are also planning to develop this work on a new basis.

These methods have several major features as compared to traditional iron melting by the blast furnace: (1) non-reliance on coking coal resources; (2) economical production can be achieved on a relatively small scale; (3) low investment cost and fact construction of plants.

Sponge iron produced by direct reduction can substitute part or even all of the scrap steel as raw materials for steelmaking by electric furnaces. Direct reduction--electric furnace used as a blast furnace--the process other than the converter, has once made progress abroad. But the most matured direct reduction method in the industry, such as MIDREX and HYL, used natural gas as energy and therefore could not continue to develop particularly after the oil crisis. So far there is no economically tenable and reliable method for direct reduction based on solid fuel. Consequently, even though the prediction that direct reduction would replace the blast furnace has been going around for several decades, currently at least 98 percent of the steel output in the world is produced by the blast furnace.

The other method of iron-smelting not using the blast furnace is reduction by melting. Iron ore is melted and solid carbon is then added for reduction, and the conditions for heat and mass transfer are better than the gas-solid low temperature reaction of the direct reduction method and a very high speed in reduction can be reached. Moreover, coal (or powdered coke) can be used as solid carbon, eliminating the necessity of using metallurgical coal as well as natural gas. Perhaps this is why the growth of research on reduction by melting in the world during the past decade has been more active than direct reduction.

However, there are essentially two serious weaknesses with reduction purely by melting: (1) it is difficult to economically tackle the corrosion of refractory materials by melted ferric oxide; (2) restricted by thermal dynamic balance, under high temperatures (such as 1600°) the ratio of carbon dioxide/carbon monoxide in the gas phase which come into contact with iron-ferric oxide is very low, and consequently the unit consumption of carbon is high and not comparable to the blast furnace. Certain methods of reduction by melting such as ROTORED and CIP that are being studied and tested use centrifugal force to avoid the corrosion of furnace lining by ferric oxide but there is no solution to the high consumption of coal.

In order to overcome the two weaknesses mentioned above, many types of test processes for reduction by melting abroad have now added a pre-reduction process. First, partial reduction is carried out in low temperatures on ore (or pellets) in solid state, and then high-temperature melting and final reduction are carried out in another reactor. The heat source and reduction reagent of the former utilize the waste gas of the latter. Some of these processes are being tested while some have only been proposal, and there are more than 10 types. The end reduction of several types uses electricity as the heat source, and this is very similar to the sponge iron-electric furnace process mentioned above.

Reduction by melting is intended to get rid of the solid-state reduction of the direct reduction method previously developed (this process is called indirect reduction in blast furnace!), while the present trend is to combine the two, forming a two-step method which combines solid and liquid states. How similar is this course of development to that from top-blown converter to bottom-blown converter and to composite blowing! In fact, was not the familiar blast furnace at first a method to combine solid-state reduction and reduction by melting? After spending a great deal of efforts, a basic chemical process has taken a roundabout way and apparently returned to the original spot. But all this is to create even more economical technology and processes under specific resource conditions so that it is very worthwile.

China is launching more serious research and testing of reduction by melting. In my opinion, in order to avoid detours and to assure that the growth of the iron and steel industry will truly play a role in the year 2000 and after, we must have clear goals, aim at specific conditions of regions or enterprises, formulate the most optimum programs, and conduct research and tests scienfiically. The work outside China, particularly KR under Austrian-West German cooperation as well as COIN of KRUPP, are worthy of reference particularly for areas where ores and coal are available but are short of electric power.

4. Pre-treatment of molten iron

The earliest pre-treatment of molten iron realized is the desulphurization of ladle soda ash. Later, primarily because provisions on sulphur content of steel became increasingly strict, many types of relatively particular pre-desulphurization techniques appeared when used carrier gas dusting, mechanical mixing and other principles. Desulphurizers also became diverse, extensively using calcium carbide, lime base mixtures and metallic magnesium. Today, the method of desulphurizing most of the molten iron to below 0.02 percent and part of it to below 0.005 percent has already been achieved in some iron and steel works.

The method of desiliconization of molten iron existed half a century ago and the purpose was to decrease the amount of slag during steelmaking and improve the capability to dephosphorize and desulphurize. Later, advances in blast furnace operations itself made it possible to lower the silicon content of molten iron and stabilize it (average approximately 0.7 percent in the U.S. and 0.3 percent in Japan; higher consumption of scrap steel by silicon in converters is advantageous), consequently pre-desiliconization techniques did not develop for a long period of time. But in recent years, particularly in Japan (low scrap steel operation), desiliconization of molten iron has again been placed on the daily agenda. It should be pointed out that the amount of silicon, sulphus and phosphorus in molten iron in Japan used to be quite low. Besides metallurgical benefits, there is one other major economic objective for the Japanese to desiliconize further, namely to totally use up the furnace slag of the iron and steel works without any accumulation. Concerning methods of desiliconization, Shin Nihon Seitetsu's tapping launder continously blowing technique merits our attention.

Alkaline converters are basically very capable of dephosphorization, but the problem of pre-dephosphorization of molten iron was studied long ago. In 1965 someone in West Germany proved in the laboratory that soda ash combined with an oxidizer can simultaneously desulphurize and dephosphorize but it could not go into use because of economic and environmental reasons. A Shumitomo plant in Japan developed this method for industrial production by first desiliconizing a small quantity of the molten iron and then dephosphorizing it by blowing soda ash. The phosphorus content of the molten iron of that plant was not high to start with (0.1 percent) and the purpose of pre-treatment remained decreasing the amount of converter slag as much as possible. Kimitsu Steelworks' technique of using lime slag to dephosphorize has been put into production; KRUPP of West Germany has also industrially tested dephosphorization by spraying soda ash. The pre-dephosphorization method mentioned above cannot be used for molten iron high in phosphorus. Some large steelworks in France do not rely on pre-treatment of molten iron. The process of smelting high-grade steel from high phosphorus iron will be discussed below.

In China, the phosphorus, sulphur and silicon content of molten iron vary greatly among different enterprises. Some of their molten iron contains vanadium, niobium and other paragenetic elements. The molten iron of only a minority of the enterprises is within the scope of regular "steel pig." Therefore, when we study and develop the pre-treatment of molten iron, we cannot merely consider pre-treatment itself but must thoroughly study the best (most economic) policy to eliminate (and utilize) these elements according to the specific conditions of specific locations, rationally distribute them among blast furnaces, molten iron pre-treatment, steelmaking, and the post-treatment of molten steel, and undertake corresponding technical research. Only in this way can we produce the most economically rational technology and process.

5. Post-treatment of molten steel

The other way to lower the metallurgical load of steel-smelting furnaces in order to improve their production capability is post-treatment of molten steel. Molten steel post-treatment can achieve numerous different goals: de-airing, deoxidation, decarbonization, desulphurization, dephosphorization, fine adjustment of composition and temperature, elimination of impurities and changing the state of impurities.

The principal means of de-airing (hydrogen, nitrogen) treatment is vacuum and or blowing or argon. Vacuum treatment can also bring about the deoxidation of carbon or decarbonization of oxygen. Vacuum treatment and blowing of argon are the most extensively used techniques in the post-treatment of molten steel.

The next method is desulphurization. Using argon carrier gas and spraying desulphurizer (primarily silico-calcium alloys today) can lower the sulphur content to under 0.004 percent and can cause residue impurities to change into a less harmful state. Many units are studying the use of lime dust as substitute for silico-calcium alloys.

The degree of desulphurization of the West German MPE method is slightly poorer (below 0.008 percent) but it does not require special installations. Its key points are tapping without slag, blowing argon during tapping, adding small lumps of lime, fluorite and aluminum, and then blowing for several more minutes after covering. Tangible results have also been achieved in desulphurization at the Anshan Iron and Steel Works which uses a similar method.

In terms of the principles of chemistry, the oxygen level of molten iron is lower than that of molten steel, which is more advantageous for desulphurization so that pre-desulphurization of molten iron appears to be more rational than post-desulphurization of molten steel. But the scrap steel and slag material added in the course of steelmaking bring some of the sulphur so that for certain steel varieties even if the molten iron is highly desulphurized it cannot assure that sulphur content of steel will be up to standard and the molten steel still needs to be desulphurized. In short, blast furnaces, pretreatment, steel-smelting furnaces, post-treatment can all achieve different degrees of desulphurization. The principle of desulphurization and the specific methods to be used by the iron and steel works must be based on the conditions of raw materials, makeup of products, production capabilities and investment conditions, and are determined after careful accounting and scientific research. Conditions are similar for dephosphorization (see below) and the recovery and utilization of paragenetic elements.

Alkaline steel-smelting furnaces are basically highly capable of dephosphorization, but when used for the production of steel varieties with high phosphorus molten iron as the raw material and or for the production of varieties with very low phosphorus content, special technical measures must be used in order to ensure it. A good example is the many iron and steel works in northeastern France which use high phosphorus molten iron in raw material and which use large numbers of converters (including LBE, DBM, LMS)--ladle steel-smelting furnances --continuous casting process. In order to give full play to the dephosphorizing capability of converters, they maintain the tapping temperature at the same level as mold casting. To prevent return of phosphorus (slag contains 15-20 percent of P_2O_5), a bottom operation to pour ladles and separate slag is added after tapping. The molten steel temperature required by continuous casting is attained by relying on an arc temperature rising ladle steel-smelting furnace, and vacuum treatment can also be performed if necessary. Those plants do not rely on dephosphorization of molten iron and they mass produce all varieties of steel including those of super-low phosphorus content ($\leqq$ 50 ppm). Reportedly, all ladle steel-smelting furnaces in France are built for this process. It is worth pointing out that in this process the safeguard of low phosphorus content by ladle steel-smelting furnaces is a necessary measure. These furnaces themselves do not dephosphorize but create conditions so that the converters can give full play to their dephosphorizing capability. As for steel varieties whose phosphorus content is particularly low, Sollac Steelworks adds some soda ash prior to the tapping of LWS, and tapping comes after half a minute, which helps dephosphorization.

For certain steel varieties particularly those that are high in elements easy to oxidize, it is feasible to conduct direct dephosphorization outside the furnace after the addition of calcium or calcium alloys to form Ca_3P_2.

It is evident from the above that research to develop new techniques and technology for iron and steel production are very active both inside and outside China. Moreover, the projects are diverse in substance and are interrelated and intertwined. This is because the economic and technological conditions among different countries, regions and enterprises have a general character but they also vary greatly and the methods of solving problems are also different. Each of our tasks must have clearly-defined goals and must be performed and directed at specific conditions and goals. We must use economic results as the criterion from start to finish and never one-sidedly pursue any particular technical target but must give consideration to economic results for the whole enterprise and the entire production process. This requires our workers in science and technology to have a comprehensive field of vision and be good at mutual cooperation. In this way we will be able to make significant contribution to the four modernizations of the motherland.

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CSO: 4013/83

FOREIGN TRADE AND INVESTMENT

$5.4 BILLION IN FOREIGN CAPITAL ABSORBED SINCE 1979

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 26 Nov 85 p 1

[Article by Zhuang Nuo [8369 6179]: "China Has Absorbed $5.4 Billion in Foreign Capital Since 1979"]

[Text] Shi Lin [4258 2651], adviser to the Ministry of Foreign Economic Relations and Trade, disclosed in Xiamen today that in the 6 years since 1979, China has effectively absorbed almost $5.4 billion in foreign capital.

Shi Lin made the above disclosure to members of the Chinese and foreign economic communities at the opening ceremony of the Fujian investment promotion conference jointly sponsored by the Fujian provincial people's government and the Industrial Development Organization of the United Nations. He said, "In the last 6 years, China has made rapid progress in its drive to attract direct foreign investments. As of this September, China has signed a total of 7,030 contracts with foreign investors, with a combined value of $14.7 billion in foreign capital."

It is understood that among these projects are 1,897 Chinese-foreign joint ventures, 3,408 cooperative enterprises, 109 wholly owned foreign enterprises, 31 cooperation projects in off-shore oil exploration and 1,585 compensatory trade projects.

Statistics from last January through September show further progress in China's effort to attract foreign capital. Altogether 2,197 contracts were signed, with the amount of foreign investments reaching $4.1 billion, of which over $1.1 billion have been invested.

Referring to the adoption of policies to encourage foreign investment and the formulation and perfection of laws and regulations to govern foreign economic relations and trade, Shi Lin said that so far China has promulgated over 50 specific pieces of legislation and signed investment protection agreements with 11 nations and concluded agreements with 5 nations aimed at avoiding double taxation. Other agreements are under negotiation.

12581
CSO: 4006/533

FOREIGN TRADE AND INVESTMENT

CITIC INVOLVED IN 39 JOINT VENTURES, INCLUDING U.S. TIMBER

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 16 Dec 85 p 3

[Article by Ji Hong [character illegible] [6060 3126]: "CITIC Expanding Its Operations"]

[Text] With 39 Chinese-foreign joint ventures and 3 umbrella-type joint ventures under its name, the latter set up as an experiment this year, the China International Trust and Investment Corp [CITIC] has taken another big step forward. This was disclosed at the corporation's sixth board meeting on the 14th.

The 39 Chinese-foreign joint ventures under the corporation can be found in such industries as metallurgy, coal, machinery, textile, food and light industry.

The three umbrella-type joint ventures launched by the corporation this year on a trial basis are also known as control-stock companies internationally. The CITIC is responsible for their overall investment planning and balancing foreign exchange income and expenses.

Last year the CITIC bought several tracts of timberland in the U.S. and Southeast Asia and set up joint ventures to take charge of felling and transportation. The timber from these tracts has successively been shipped to China.

The leasing system under the corporation -- the China Leasing Co, China Oriental Leasing Co and the leasing office of its banking section -- organized a total of about 700 projects in 1984-85 and is graduating from the position of a lessee to that of lessor.

To raise foreign capital, the corporation has been issuing bonds repeatedly in Japan, Hong Kong and the Federal Republic of Germany, and is expected to do so again in Japan soon. With the approval of the People's Bank of China, the banking section of the CITIC began accepting deposits in foreign currencies and the renminbi and offering export credit services on 14th.

Vice Premier Yao Yilin [1202 0181 2651] attended the board meeting and delivered the keynote speech.

12581
CSO: 4006/628

FOREIGN TRADE AND INVESTMENT

RECORD CEREAL, OIL, FOODSTUFF EXPORTS EXPECTED IN 1985

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 10 Dec 85 p 1

[Article by Feng Xiao [7458 7197]: "China's Cereal, Oil and Foodstuff Exports Expected To Be the Highest Ever"]

[Text] "China's cereal, oil and foodstuff exports this year are expected to exceed state targets and reach a historic high. Within approved limits, exports have been a profitable foreign exchange earner and produced good economic results." This was disclosed by Cao Wantong [2580 8001 6639], general manager of the China National Cereals, Oils and Foodstuffs Import and Export Corporation, during an interview with reporters yesterday.

Cao Wantong said that cereal, oil and foodstuff exports this year are expected to be 106 percent of the target, up 1.2 percent over last year, the highest level ever. If we include commodities such as aquacultural products, foodstuffs, beer and mineral water, the management of which has been delegated to local authorities, the actual exports will grow by 3.4 percent over last year. Export value will increase by 17.5 percent over 1984 while export losses are expected to be substantially smaller than predicted. Foreign exchange income for the state will grow by $470 million.

Looking at the major export categories, most of the increase in exports occurred in the cereal and oil categories. Foodstuff export this year has dropped when compared to last year. Cereal and oil exports this year account for 47 percent of all foreign exchange income derived from exports, up 8.3 percent over a year earlier. Cereals exports increased 1.1-fold over last year's level to reach an all-time high. Estimates are that we will be able to export more cereals this year than we import. Edible oil, peanut oil, sesame seeds, live cattle, live poultry, frozen beef, fruit, canned pork, granulated sugar -- all have registered an increase in export volume this year.

Cao Wantong noted an obvious characteristic concerning the localities which have reached the target, namely, the marked increase in the amount of export handled by numerous localities. Of the dozen or so branch companies under the corporation, more than half managed to reach or exceed the annual target.

Cao Wantong said that the main reason why it has been able to do so well this year is that the entire corporation has consistently and firmly concentrated on export and taken a variety of effective measures to pinpoint the sources of goods and promote sales aggressively. It has adhered to the united sales policy to cut losses, at the same time cultivating good customer relations, stabilizing the market and building up clients' confidence.

He also said that new efforts would be made in the coming year to develop new products and vigorously open up new markets. To expand export, we must also do a good job in processing with imported materials, turnover trade, compensation trade and third country trade. We should do everything we can to succeed in foreign trade.

12581
CSO: 4006/504

FOREIGN TRADE AND INVESTMENT

JAPAN, PRC TECHNICAL COOPERATION DISCUSSED

Tianjin KEXUEXUE YU KEXUE JISHU GUANLI [SCIENTIOLOGY AND MANAGEMENT OF S&T] in Chinese No 2, 1986 pp 4-6

[Article by Masaru Saito, professor, Chuo University, Japan: "On Technical Cooperation between Japan and China"]

[Text] I. Chinese Technological Strategy

At present, China is heavily engaged in the development of the focal point of its four modernizations. In its strategy to introduce foreign capital, China has strenuously studied the experience of other countries and adopted policies most favorable to China such as various policies about modernization, advanced industrial systems, and management and technology transfers which have nearly all been adopted. However, the focal points are still on the following aspects: 1) transplanting new industries; 2) strengthening management and technology transfers; and 3) doing its best to acquire better results for the four modernizations.

At present, China is trying, through various ways and means, to achieve technology transfers from foreign countries which concentrate not only on the "hardware" but on the "software" as well; they are not only introducing engineering technology but are also interested in the technology of management. They have corrected their shortcoming in the past of looking down on management and are striving to introduce enterprise management from the developed countries under the economic conditions of the free market.

From now on, the focal points of the Chinese technological strategy are: 1) to strive for the development and application of advanced technology in order to serve important areas of national construction. 2) To strengthen technological innovation and create a better structure for industry. 3) To strengthen the introduction, development, and computer technology. 4) To hasten the reform of economic and technology systems and their internationalization. 5) Considering the stage of technological development in China, technology transfers in addition to development based on self-reliance, are still crucial. The really necessary "four transfers" advocated by the Chinese government, which include science and technology transfers, must be carried out from foreign countries to China, from military to civil application, from coastal areas toward the inland, and from laboratories to the site of production. However, there exist many problems in their realization. 6) In order to put the transferred technology into production, cultivation of talent is also one of the strategies adopted by China at present.

II. Structure of Technology Transfer

In the past few years, the Chinese technology transfer market has been expanding rapidly and according to various patterns. In addition to trade, foreign investment, and technology cooperation, various routes of technology transfer have been opened. For example, the number of technology delegations and the people sent abroad for long- and short-term study increases year after year and this increase has occurred on a nongovernmental basis.

Now, there are graduate students in the big, medium-size, and small enterprises in Japan, and among the countries which have technological cooperation with Japan, China has the greatest participation.

China has introduced a great number of complete sets of equipment, such as complete sets of chemical engineering equipment in Shanghai, Zhejiang, and Tianjin; complete sets of thin-film manufacturing equipment in Gansu, Shanghai, and Tianjin; and complete sets of television set manufacturing equipment. In the technology trade in 1983, Japan has 41 percent of the total amount of the technology introduced into China, the United States has 30 percent, West Germany 9.5 percent, and Italy 6.5 percent.

The characteristics of the market of introducing technology into China are these: 1) speaking in terms of region, the large cities are the focal points and most of the technology introduced is concentrated in Shanghai, Tianjin, Beijing, and the Shenzhen Special Economic Zone; 2) in technology introduction, expenditures on "software" are mounting; and 3) the demand for high technology is increasing.

In addition, various kinds of high technology have been introduced through trade. It is said that the list of the Chinese delegations shopping for technical equipment abroad also includes: 1) satellite navigation systems; 2) tracking radar and laser range finders; 3) night vision equipment; 4) military vehicle simulators; 5) giant lathes for large-caliber cannons; and 7) though the introduction of technology for medium-size and small enterprises is vigorously advocated, the proportion of introduction into large enterprises and military technology has been greatest.

In addition to licensing, China has also introduced a large amount of technology through the purchase of machinery and complete sets of equipment. The major countries exporting technology in China in 1983 are Japan (25.9 percent, occupying first place), the United States (13.0 percent), Hong Kong (8.0 percent), Canada (7.5 percent), and East Germany (5.7 percent). From now on, Japan and the United States may become the center, and the introduction of technology from the developed Western countries will increase with the emphasis on introducing industrial technology from Japan and military and aircraft-related technology from the United States.

Japan ocupies the first place in almost every aspect of technology transfer to China. In particular, Japan has accepted a great number of Chinese graduates majoring in various areas of technology. Even as analysis of the history of technology transfer to China up until now would produce the conclusion that China is in the climax of technology introduction.

Technology transfer from Japan has involved a wide range of technology in agriculture, and also other areas, such as industrial measuring-instrument technology, special natural gas valve manufacturing technology, electron microscope manufacturing technology, air compressor manufacturing technology, and industrial sewing machines. Medium-size and small enterprise technology introduction has also increased rapidly.

Looking at strategy, technology transfer requires the mutual efforts of technical personnel from both sides and that requires a better mutual understanding.

III. Strategies of Technology Introduction

The strategy of technology introduction in China is first to make choices in technology based on the overall strategy and then to introduce certain technologies according to the plan. The characteristics of Chinese strategy in the introduction of technology related to people's livelihood are to attract technology to the country and to wait for the opportunity of international technology exhibitions to bring the practical technology into China after the acquisition of all the information, after which the discussions and transactions will proceed. The key to the discussions and the conclusion of transactions is completely determined by negotiations, and there is a substantial difference compared with practices in the developed capitalist countries.

In the procedure of technology introduction, China has first chosen urgently needed suitable technology and has carried out discussions with the companies related to that technology transfer. China also attracted tangible technology into the country through international technology exhibitions. In the discussion and the conclusion of transactions, the Chinese usually adopt a triangular negotiation pattern, which means to negotiate with both the company from which the technology is expected to be transferred and some other foriegn company, that is, to open discussions among the foreign enterprises transferring that technology. The discussion item by item and category by category and the parts which can be locally manufactured are excluded from the discussion. People who attend the discussions are technical experts, experts in commercial affairs, financial experts, and legal experts, and through the coordination of these experts, they attack on many levels to increase their negotiating strength.

The experts on commercial affairs and the legal experts have carefully studied the "Charter of Activiites on Technology Transfer" of the United Nations and they are masters of the laws of industrial ownership. In the last few years, Chinese professional teaching materials on technology introduction have increased day by day.

According to the regulation of the policy published in 1979, articles which can be manufactured in the country will not be introduced regardless of price. In the introduction of complete sets of equipment, those which can be manufactured in China must be excluded; redundancy must be avoided; and the countries or enterprises will be chosen where parts, components, and raw and processed materials can be reasonably supplied. The stipulation mentioned above is a technology introduction policy based on technology transfer, and that technology transfer will in the long run be beneficial to the vigorous development of the country.

Technology introduction, in addition to patents, also includes the introduction of new mechanical equipment and foreign companies can proceed in the manner of investment. Therefore, these points can also be taken into consideration.

IV. Sino-Japanese Technological Cooperation

China, before the implementation of the open-door policy, received little economic and technolog cooperation from the West. The acceptance of cooperation without compensation began in 1981. Cooperation with compensation for the sake of realizing the open-door policy cannot be expanded without considering the ability to pay. The value of technological cooperation reached its climax in 1981; since then the change has been small. In general in cooperation without compensation, a big project is the Sino-Japanese hospital (completed in 1984). In addition, the construction work on the Beijing Post and Telecommunications Training Center and on the Chinese Meat Foods Multiple-research Center is continuing. The focal ponts in cooperation with compensation are items of basic construction such as railroads, harbors and dams, and telephones.

In technological cooperation, the number of graduate students and professionals sent abroad and the number of engineering projects involving technological cooperation are increasing rapidly. Of the foreign countries helped by Japan, China has been number one since 1982; however, counting in terms of the average population helped by Japan, China is still last.

The developed countries entered the Chinese market through the centers of coastal cities such as Beijing, Tianjin, Shanghai, and Guangzhou. Manchuria is the place of principal resources and an area of heavy industry in the north, though the developed countries felt that the level of technological cooperation there was not enough.

China has been emphasizing agriculture. Therefore, it has achieved very good results in the development of agriculture. In industry, China as well as other socialist countries stressed the development of heavy industry. Thus the development of light industry and medium-size and small enterprises slowed. At present, China is striving for the development of medium-size and small enterprises and their modernization to maintain the development of heavy industry, strengthen the flexibility and adaptability of the national economy, and stimulate the vitality of the enterprises.

V. Problems of Technological Cooperation

China is a socialist nation. Therefore, both the selection of the graduate students sent abroad and their work assignments can be done according to the plan. The medium-size and small enterprises in Japan accept a great number of graduage students each year but provide mainly on-the-job-training and are not professional training organizations. The students work very hard, yet the results of their study are low. Since there are more than 20,000 Chinese graudate students sent to our country each year, we had better adopt a more systematic method to do it. And this is consistent with the direction of "education cooperation" flourishing in Japan.

China is walking along the road of socialism, and maintaining independence, and keeping the initiative in its own hands, which contrasts sharply to the capitalist market of free competition. Though it uses the same techniques, the function and meaning are different. Nevertheless, even the technology from capitalist societies can contribute to the development of socialism. The developed countries in the West and East have blocked technology transfers to the Eastern countries in the name of "Coordinating Committee for Export to Communist Areas." This has been relaxed to a great extent to China in the past few years, yet it has not been abolished and may become strict again.

Chinese patent law was implemented in April 1985. To introduce advanced technology, patent rights must be acknowledged and the technology rightly protected. Proper implementation and observation of the law have a direct influence on the international prestige of a country. As for the suppliers of technology, if the technology is not protected under the law, they will no longer transfer their technology. Whether the Chinese are able to enforce the patent law correctly to provide sufficient protection to the rights of the technology suppliers is one of their great tasks. We can also say that the above understanding will apply the same to the foreign investment law, corporate law, and commercial trade law under formulation now.

In the following article, we will talk about the relation between the "four modernizations" advocated by the Chinese and Sino-Japanese technological cooperation. Military and national defense modernization is included in the four modernizations. For some reasons, Japanese technology cannot cooperate in every aspect of the four modernizations.

Finally, I think that all the developed countries, including Japan, seem to compete for cooperation in the technology transfers to China, yet it is not clear at present whether the introduction of technology into China is for the development of Chinese socialism, which is introverted, or for the joining international (export) competition, which is extroverted. Even if Chinese technology introduction is extroverted, it may not for the developed countries end up in eating one's own bitter fruit (Chinse version [Japanese to Chinese translator's note: that is, the possibility of China's becoming a developed country and competitor), owing to the huge gap in the levels of technology between China and the developed countries, but to the NIC's in Asia and the countries of Southeast Asia, China is very likely to become a competitor. For industrial products of equal quality, especially the production of labor-intensive products, once export becomes possible, their impact on the large countries will be enormous. In case the coordination of shared production ([Japanese to Chinese] translator's note: that is, different countries produce different products) cannot proceed smoothly, it is very likely that trade conflicts will occur between China and the Asian NIC's and the countries in Southeast Asia. If the current Chinese open-door policy continues as it has, in the 1990's Chinese exports of industrial products will increase rapidly.

To solve the above problems and then maintain and accelerate the development in Asia to contribute to the peace of the world, it is necessary to establish, through Chinese economic development and her joining the shared production structure, a healthy interdependent relationship at least in Asia. And Japanese technology transfers must proceed in line with the contribution to that relationship.

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FOREIGN TRADE AND INVESTMENT

TRADE, ECONOMIC COOPERATION WITH EASTERN EUROPE EXPAND

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 28 Dec 85 p 3

[Article by Feng Xiuju [7458 4423 5468]: "Overview of Trade with Eastern Europe"]

[Text] The year 1985 saw the fastest growth in economic and trade relations between China and countries in Eastern Europe in the 3 decades since such relations were established, with two-way trade reaching $2.64 billion, according to Minister of Foreign Economic Relations and Trade, Zheng Tuobin [6774 2148 1755].

In an interview with reporters, Zheng Tuobin said that in 1985 China signed long-term trade agreements for the years 1986-1990 with Romania, Yugoslavia, Hungary, the German Democratic Republic [GDR], Poland and Albania. During his recent visit to Czechoslovakia and Bulgaria, Vice Premier Li Peng [2621 7720] also concluded long-term trade accords with the host countries.

As Zheng Tuobin sees it, the conclusion of those agreements signal the beginning of a new stage of long-term and stable development in Chinese-Eastern Europe trade and economic relations. It is estimated that bilateral trade under the new long-term trade agreements will increase significantly over that under the trade agreements for the last 5 years.

During the past few years, China's friendly and cooperative relations with Romania and Yugoslavia have been strengthened constantly. For many years, Romania has been our No 1 trading partner in Eastern Europe. Based on our trade agreement, bilateral trade was worth about $760 million this year. During President Ceausescu's historic visit to China last October, the two sides reached a series of long-term economic accords, further brightening the prospects for bilateral trade and economic and technical cooperation.

Two-way trade between China and Yugoslavia has been expanding every year in recent times, rising to $130 million in 1984, an increase sof 65 percent over 1983, and registering a further gain in 1985 compared to a year earlier.

Our trade ties with Bulgaria, Czechoslovakia, the GDR, Hungary and Poland began in the early 1950's. In recent years our contacts have become more frequent, with a corresponding rise in the ranks of officials who visit one another. We have also set up a number of ministerial-level economic, trade and technical cooperation commissions with them.

Discussing the development of economic relations and trade between China and Eastern Europe, Zheng Tuobin summed up their characteristics as follows:

1. A positive momentum has appeared in trade.

Statistically, Chinese-Polish agreements call for an increase of 180 percent in bilateral trade in 1985 over 1984. Corresponding figures for our trade with Hungary, the GDR and Czechoslovakia are 170 percent, 54.5 percent and 39.6 percent, respectively. Chinese-Hungarian trade has also gone up.

2. Changing export and import mixes.

As the economies of both sides mature and as industrial and technical standards improve, the composition of our exports and imports, along with that of Eastern European exports and imports, has been changing to various degrees. In the 1950's, for instance, Chinese imports from Hungary were dominated by complete sets of equipment and electrical machinery products, while our exports comprised mainly grain, edible oil, food and mineral products. After the 1970's, we increased our import of raw materials, semi-processed goods and market products from Hungary and reduced that of complete sets of equipment. Meanwhile, we exported to that nation more and more light industrial and textile goods and less and less mineral products, and began selling it machinery as well. Such changes in the import-export mix help satisfy each other's needs better and promote bilateral trade.

3. A good start has been made in economic and technical cooperation.

During the past year or so, apart from conducting regular trade, the two sides have actively been exploring and opening up new areas and methods of cooperation such as joint production, technical import, the technical modernization of old plants and cooperation in a third nation.

China and Poland have reached agreement this year to cooperate in a number of projects involving the technical modernization of the toffee, bread and cast stone production industries. We are discussing with Hungary cooperation projects in the manufacture of buses, light sockets and light bulk production lines. With the GDR, Czechoslovakia and Bulgaria,too, we have signed a number of contracts on technical modernization projects. Banks and corresponding units on both sides have stepped up direct contacts and business cooperation continuously.

Zheng Tuobin said that all this shows that provided both sides make a concerted effort, Chinese-Eastern European trade and economic cooperation is full of potential. He welcomed these nations, with their advanced technology and superior products, to cooperate with China. He also expressed the hope that the two sides will open up new fields of cooperation and develop new joint products. We must keep our prices fair, reasonable and competitive and adopt imaginative trade methods to develop cooperation in trade-industry integration and trade-technology integration. The aim is to promote one another's socialist enterprise.

12581
CSO: 4006/627

FOREIGN TRADE AND INVESTMENT

BELGIAN LOANS FINANCE CHINESE PROJECTS

Beijing GUOJI SHANGBAO in Chinese 25 Nov 85 p 3

[Text] Each year since 1980, the Belgian government has provided us with 300 million Belgian francs (about $5.5 million) in interest-free loans on very favorable terms: the loans will mature in 30 years, with a grace period of 10 years. In other words, principal repayments begin only in the 11th year.

Over the past 5 years, most of the 1.5 billion Belgian franc-credit has been used to finance the construction of the Yaomeng Electric Station (about 900 million Belgian francs) in Henan and the Bell Telephone project in Shanghai (about 600 Belgian francs).

In 1985 the Belgian government extended to the Chinese government a credit package totalling 1 billion Belgian francs. Of this amount, interest-free loans amount to 300 million Belgian francs and export credits account for the remaining 700 million. This credit package also carries very generous terms: 30 percent of a project must be paid for in interest-free loans and the remaining 70 percent in cash or export credit. Since the value of the 1985 loan package is higher than before, we may consider undertaking larger projects.

This batch of loans is now being processed smoothly with the concerted effort of the Ministry of Foreign Economic Relations and Trade and other relevant agencies. So far three contracts have been signed.

The Beijing Wuxing Brewery has signed a contract worth 225,574,600 Belgian francs with the You Min Bu La Company of Belgium, of which 27,672,380 Belgian francs will be paid for in interest-free loans.

The Shanghai Bell Telephone Equipment Manufacturing Company has signed two contracts with Belgium's Bell Telephone Manufacturing Company, worth a total of 663 million Belgian francs, of which 199 million can be paid for in interest-free loans.

12581
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FOREIGN TRADE AND INVESTMENT

ECONOMIC RESULTS, EXPANDED TRADE REQUIRE ATTENTION

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 5, Sep-Oct 85 pp 23-27, 22

[Article by Ma Chuandong [7456 0278 2767]: "The Ecological Impact of Foreign Trade"]

[Excerpt] II

As the high-tech revolution gathers momentum and international trade expands, we must develop our foreign trade energetically so that it can further serve the open door policy and invigorate the domestic economy. But even as we go about promoting export trade, we must also sum up experience, adapt ourselves to changes in the international and domestic economic situations, and improve our import and export mix continuously in a way that enhances both ecological and economic results.

A. Since the liberation, particularly since the 3d Plenary Session of the 11th CPC Central Committee, China's foreign trade has scored spectacular achievements. But there remains much room for improvement from the perspective of ecological economics. (1) Our present export mix is an improvement upon what it was in the past, but like its counterparts in many developing nations, it remains heavily dependent on primary products (minerals, agricultural produce, sideline products and special native products.) Although the export of these products is essential if we are to earn foreign exchange to finance the import of advanced technology, equipment and materials, it still places us in the position of having to export extensively the nation's natural resources (especially petroleum and coal). At present mineral products; agricultural produce, sideline products and special native products; and industrial processed goods each account for about one third of the nation's total exports. In other words, two thirds of our exports today still consist of natural resources and related primary products. If this situation continues for long, it will have an adverse impact on the long-term coordinated development of China's ecology and economy. (2) In the course of developing and purchasing products for export, particularly when it purchased some agricultural and sideline products, the state in the past often ignored the unity of the ecological system and singled out certain products for which it paid exceptionally high prices, resulting in structural and functional imbalances in the ecosystem. For instance, the foreign trade sector bought up a large quantity of yellow weasel skin and its by-products, thereby drastically reducing the population of the natural predator of mice. This is an important reason why we are overrun with mice these days. In coastal areas, the foreign trade sector paid such attractive prices for important exports like marten that peasants in coastal fishing counties and villages went in for marten-raising on a large scale and resorted to indiscriminate over-fishing, particularly of young fish. What resulted was not only a competition for fish between man and marten, but also serious damage to the fishery ecosystem in neighboring waters as the people scouted the seas for huge quantities of young fish to satisfy the marten's appetite. (3) There was a time when some of China's traditional agricultural and sideline products and arts and crafts were "flagship exports." But they have become uncompetitive in the world markets owing to declining quality, overly high pesticide contents, lack of variety of color and design, destruction of the agricultural ecological environment, preservation and processing problems, and so on. Chinese tea and fruits used to be very popular in the international market. Years of inattention to the breeding of better varieties and perhaps the destruction of forests have led to a deterioration in their ecosystems and an increase in pests. We had no choice but to fall back on pesticides, which caused tea leaves and fruits to decline in quality and hence in world competitiveness. Today our tea exports are no match for India's and our fruit exports are no match for those of the U.S., Japan and other nations. Such are the adverse effects of the destruction of the ecology on the development of foreign trade.

B. In our effort to improve China's export mix from the standpoint of ecological economic principles, we must pay special attention to the following two points:

1. In seeking to expand agricultural, forestry, fishery and animal husbandry exports and the sales of special native products, we must, on the one hand, consider the demands of the international market and gradually increase exports, and, on the other, take care to protect the quality of the ecosystem. We must take pains to combine organically the large-scale export of these products with the improvement of the quality of the ecological environment.

(1) Priority should be given to the development of agricultural, forestry, fishery and animal husbandry products which both earn handsome foreign exchange and benefit the ecology. Over the past 10 years or so, for instance, the inter-cropping of tung tree and grain in the Huang He and Huai He plains, including provinces like Henan and Shandong, is a good idea which has helped improve the ecology. The paulownia trees grown in the fields can be felled in 10 years and yield excellent timber for export. The Shangqiu area in Henan alone exported 15,000 cubic meters of paulownia timber in 1983. Similar achievements abound across the nation and should be promoted vigorously. What merits special attention is the cultivation of flowers for export, which beautifies the environment as well as being a major foreign exchange earner. All the celebrated flowers grown in China, such as the orchid, peony, Chinese rose, lotus, sweet-scented osmanthus and chrysanthemum, are steeped in history. The international flower market grosses over $10 billion annually. As our flower export is exceedingly small, we should energetically tap our resources in this field and step up export.

(2) There are wildlife and wild plant whose over-exploitation above a certain level generates adverse effects on the ecological balance. The way to increase their export, therefore, must lie in the gradual development of a breeding industry. In southern China, for instance, the decline in the snake population has been largely responsible for the sharp increase in mice. And snake meat and snakeskin are much sought-after in the foreign market. To develop the export of snake meat and snakeskin, we must put an end to the wanton hunting and killing of snakes in the wild and slowly build up a snake breeding industry. With its ample snake resources, the Wuyishan nature preserve in Fujian Province has now established a snake farm to breed snakes, including more than half of the 62 species of wild snakes in the area. At its peak each year the snake farm has a total population of over 10,000. If all our southern provinces follow this example, our snake exports will go up and the snake population can be maintained at a level at which it can keep the rats under control.

(3) We must develop "flagship products" among our exports by making use of our special abundance in valuable agricultural, forestry, animal husbandry and fishery resources and special native products. We are naturally well endowed with the above resources, which are of a high quality and enjoy a strong international reputation. Their export once played an important role in the development of our foreign trade. The "Bohai shrimp" industry, for instance, contributed to the rising national exports. However, many of our priceless resources have also been imported and adopted by other nations and became their "flagship products." One example is the Chinese yangtao fruit which is now grown extensively by New Zealand and other nations for export. We are ecologically well suited to develop Yangtao cultivation and should make a concerted effort along this line.

(4) We should enhance the international competitiveness of a number of our traditional agricultural, forestry, fishery and animal husbandry products by improving their varieties and ecological conditions. Examples are tea and such major export fruits as apples, oranges, tangerines and grapes. At the same time the use of pesticides should be reduced.

2. In seeking to expand the export of industrial and handicraft products, we must work hard to sell more products to more nations in order to earn more foreign exchange to support the nation's economic development, on the one hand, and take care to preserve our mineral resources which are essential to our development but are of a limited quantity, on the other. Furthermore, in export development, we must be careful to reduce and prevent pollution.

(1) We must raise step by step the share of processed industrial products of the nation's overall export mix. Today we already have a considerable industrial processing and production capacity, with such coastal cities as Shanghai, Tianjin, Guangzhou, Qingdao and Dalian gradually emerging as formidable centers in many processing industries and becoming internationally competitive. We are now exporting a substantial quantity of light industrial and textile products, while electrical machinery goods and the shipbuilding industry, in particular, are doing better and better. This is a good beginning of our drive to improve the nation's export mix and gradually do

away with its reliance on minerals and agricultural products. John Naisbitt writes in "Megatrends," "For Third World countries, changing conditions will bring about increased competition with one another for a share of the manufacturing trade. That competition has heated up considerably with the recent emergence of China as a new contender in manufacturing. Until the late 1970's, China aimed to fund its ambitious modernization plans by selling raw materials, primarily oil. But China's leaders have changed their strategy. The Chinese will concentrate instead on light industries -- textiles, baskets, bicycles, radio and television assembly. Production in these industries soared 23 percent during the first half of 1980."[1] To make us more competitive in the international market, therefore, we must go all out to increase the export of industrial goods, including light industrial and textile products, food and electrical machinery. This is of great significance for improving the ecological economic results of foreign trade. Toward this end, we must strongly support those enterprises which satisfy the technical condition to produce competitive "flagship" products, and continuously develop a host of promising new products, including state-of-the-art products in the electronics industry.

(2) To expand foreign trade, it is undoubtedly necessary for us to export certain mineral products, particularly minerals of which we have vast reserves (e.g., coal), in an appropriate way. Nevertheless, we should also make an effort to develop processing industries using these resources, especially petroleum. We must gradually increase the export of refined petroleum products and correspondingly cut back on the export of crude oil. As for rare mineral resources, we must consider the future needs of our quickening industrialization and limit their export in the crude form while stepping up their processing for export.

(3) Even as we develop various machine processing industries, we should make use of the country's bountiful labor resources and our advantage as a major exporter of traditional handicrafts, and continue to develop the export of labor-intensive handicrafts, eg., Suzhou embroidery, Hunan embroidery, woolen embroidery, Sichuan embroidery, jacquard weaving, lace trimmings and all kinds of beautiful straw articles. Known as "smokeless industries," they basically do not cause any pollution and are more competitive internationally than their machine-made counterparts. The expansion of labor export also has great potential for a country like China with its massive labor resources.

C. We should improve our import mix under the guidance of ecological economic principles, paying particular attention to the following three aspects:

1. We must emphasize the import of advanced foreign technology, including equipment and know-how. This is essential to raising China's scientific and technological standard and ecological economic results. Generally speaking, advanced foreign technology and equipment are relatively fuel- and raw material-efficient and produce high-quality products. They also come equipped with complete anti-pollution devices. The appropriate import of such equipment, therefore, speeds up the technical modernization of enterprises and makes possible the rise of a number of technically advanced new enterprises (such as those making color TV sets, for instance). And since they turn out good products, they in effect increase the quantity of processed products we

sell overseas. So the import of advanced technology is bound to touch off a positive circle in which the level of our industry and technology goes up to the benefit of our ecology and economy. Certainly most of what we are buying from abroad right now consists of only intermediate technology in widespread use in other nations; foreign capitalists usually are not ready to sell us technology at the cutting edge, for which we must fall back on our own research efforts. We must be very careful when we import equipment for chemical industrial plants which may discharge highly toxic pollutants, and do our best to protect the environment. As far as possible such plants should not be built in medium-sized and large cities.

2. We should import as appropriate those products which help improve the quality of our environment. A few years ago China bought more than 10 million jin of grains each year, thereby cutting back on state food purchases in certain areas. This made it possible for the localities to fallow their land and let it regain its fertility. The acreage devoted to the cultivation of such cash crops as cotton, sugar crops and oil crops has also been suitably increased. As a result, the agricultural ecology has improved over the past few years and rapid progress has occurred in grain, cotton, oil and sugar production.

The low percentage of forest cover and timber shortages are presently an important part of the tension between the ecology and the economy in China. Hence we should import an appropriate amount of timber and paper pulp and, when the timber supply-demand gap begins to narrow, gradually reduce the number of trees we cut down in order to achieve a balance between annual cutting and annual growth. The import of timber is another sensible policy of promoting ecological economic results through import.

As for natural resources of which we do not have a good deal, eg., iron ore, we should again import appropriately in order to reduce the damage which mining and exploitation can do to the environment and speed up the development of our iron and steel industry.

3. We must aggressively develop industrial processing with imported raw materials and the export of processed goods. This is an important way of exploiting our abundant labor resources and our numerous opened coastal cities. In recent years, through such flexible trading methods as processing with foreign materials in accordance with foreign designs and assembling using foreign parts, we have earned a considerable amount of income. In the future, provided we take this kind of operations seriously, particularly in special economic zones like Shenzhen and the 14 opened coastal cities, we may hope to accelerate our foreign trade and the development of our processing industries, import more advanced equipment, gradually improve the import and export mix and upgrade ecological economic results.

FOOTNOTE

[1] "Megatrends," Chinese edition. Chinese Social Science Publishing House, p 61.

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FOREIGN TRADE AND INVESTMENT

CHINESE-FOREIGN SHIPPING NETWORK EMERGING

Chengde JINGJI XIAOXI [Economic News] in Chinese 23 Nov 85 p 1

[Article by Shu [Unclear] [2579 xxxx]: "China Foreign Trade Shipping Network Emerges; Links Domestic and Foreign Ports Throughout the World"]

[Text] Li Chuntian [2621 2504 3944], general manager of the China Foreign Trade Transport Co and the China Boat Rental Co told this reporter that China's foreign trade reserve and transport capacity is rapidly developing. The Foreign Trade Transport Co presently has a fleet of approximately 1 million tons of oceangoing freighters and an equivalent amount of transport facilities that have established agency relationships with more than 300 ports or inland cities in 140 countries and regions. Thus an international transport network is emerging that is in contact with domestic and foreign ports throughout the world.

Li Chuntian said that the Foreign Trade Transport Co has two companies under it in the United States, the China Transport and China-America Transport Co. Representative offices are in Tokyo, Hamburg, Rotterdam, Antwerp, Hong Kong, New York and elsewhere. In the past 30 years the company has been continuously expanding business. In the early 1970's the first container ship line was begun. Thereafter container transfer stations were set up in 8 Chinese ports. Container transport has actively developed through Soviet Siberia, Europe and international rail lines. Since 1980 it has begun to develop various kinds of "door-to-door" international through transport. In recent years it started "desk-to-desk" express airmail services and cooperation with Korea to use the Korean port of Ch'ongjin as a transfer station. Manchurian export channels have been increased, reducing the pressure on the port of Dalian. A new direct river-ocean transport line to Hong Kong and Japan at the mouth of the Chang Jiang was set up, alleviating pressure on the port of Shanghai.

Based on the future needs of foreign trade development, the Foreign Trade Transport Co will actively create circumstances for increasing transport places in Latin America and Africa.

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FOREIGN TRADE AND INVESTMENT

ACHIEVEMENTS OF OPEN DOOR POLICY IN FUJIAN

Fuzhou FUJIAN RIBAO in Chinese 23 Nov 85 p 1

[Article by Yan Zhenyu 7346 2182 5148] and Li Fanglin [2621 5364 2651]: "Formerly a Closed Economy, Fujian Has Become an Open System"]

[Text] What have 6 years of the open door policy achieved for Fujian, one of the first provinces to adopt "special policies and flexible measures?" This is a question of much interest to people at home and abroad. Recently, in particular, localities have been launching a campaign to educate the public about current affairs and public policy and the open door policy is on everybody's lips. We all want to understand it better. It was with the above question in mind that we went to interview Vice Chairman Wei Lisheng [7614 5408 3932] of the Fujian Foreign Economic Relations and Trade Commission a few days ago.

A Multi-level, Multifarious And Multi-functional Open System Now In Place

"The open door policy has injected new vitality our into province's economic development. Right now Fujian is marching toward the world. From a closed economy, it is developing into an open one. The open door policy has achieved gratifying results." Wei Lisheng first told us his general impression of the open door situation in Fujian.

He said, "In 1979, our province began adopting special policies and flexible measures in external economic activities. In 1980, the State Council approved the establishment of the Xiamen Special Economic Zone [SEZ] and further approved the expansion of the limits of the Xiamen SEZ to the entire island in 1983. In 1984, it made Fuzhou one of the opened coastal port cities and authorized the establishment of an economic and technical development zone at Mawei. In early 1985, it approved the designation of 11 counties and municipalities in the Xiamen-Zhangzhou-Quanzhou triangle as a coastal economic development zone. The open door policy in Fujian now manifests itself in four ways: the Xiamen SEZ, the opened city of Fuzhou, the economic and technical development zone in Fuzhou and the economic development zone in the Xiamen-Zhangzhou-Quanzhou triangle in southern Fujian, forming a multi-level, multifarious and multi-functional coastal open economic system that stretches from Fuzhou to Dongshan. The open door policy is entering a new development stage. Six years' experience tells us that the policy has not only promoted the province's foreign economic relations and trade, but also propelled the development of the entire national economy and society. Its effects are becoming more and more evident."

An Outstanding Record In Capital Construction

Wei Lisheng said, "By stepping up capital construction, we have considerably improved the investment climate in the province in recent years." We mentioned the strong impression we obtained when we came into contact with foreign businessmen in the course of covering stories and events. He said, "Yes, improvements in the infrastructure and investment climate are one outstanding achievement of Fujian's open door policy."

He said, "For historical reasons, Fujian languished in poverty, backwardness and isolation for years. Our energy, transportation and telecommunications sectors, in particular, were so underdeveloped that they limited developments in agricultural and industrial production. A few years ago, foreign investors in Fujian joked about being 'exiled' here. To change this situation in the shortest time possible, we have in recent years used foreign capital and local funds to improve such infrastructural facilities and services as energy, communications and telecommunications and continuously tried to perfect the investment climate and conditions. Over the past 6 years, we have essentially been involved in 10 major capital construction projects: building a brand new international airport at Xiamen; expanding the Fuzhou Airport, dredging Mawei harbor in Fuzhou, completing Phase 1 of the Dongdu harbor project in Xiamen, developing program-controlled telephone services in Fuzhou and Xiamen; modernizing the two railroads, the Yingxia line and the Waifu line, expanding the Yongan thermal power plant, and putting up the Shaxikou hydropower station. Nowadays, there are wide-body passenger airliners linking Fuzhou and Xiamen with Beijing, Shanghai, Guangzhou, Hong Kong, Nagasaki and Manila. The construction of 10,000-ton deep-water berths in Fuzhou and Xiamen has been completed. The two program-controlled telephone networks in Fuzhou and Xiamen are the first modern telecommunications facilities to be put into service on the entire Chinese mainland, providing direct-dial access to major Chinese cities, Hong Kong, the U.S. and Japan. The construction of the Shaxikou hydropower station and Zhangping thermal power plant is proceeding round the clock, while the electrification of the two railroads, Yingxia and Waifu, is being stepped up. Tourist facilities, which have attracted friends from all continents, are being improved gradually too. No wonder many foreign friends say, 'It is easier to do business with Fujian now than before.' Others say, 'Visiting Fujian is now less of a hassle than in the past.'"

Fujian Has Absorbed Some Foreign And Overseas Chinese Capital

We asked, "Infrastructural projects have borne early fruits and improved the investment climate, creating the condition for attracting foreign and overseas Chinese capital. How then has the province been faring in this area?"

Wei Lisheng said, "Fujian has kept up a strong momentum in attracting foreign and overseas Chinese capital. The general trend is toward diversification. We are cooperating with more and more units, the channels of cooperation are broadening by the year and there has been a continuous increase in the number of projects and their dollar value. From 1979 to October 1985, the province approved a total of 828 foreign contracts involving $750 million in foreign capital, of which $230 million has actually been invested. Late 1984 figures show that when converted into renminbi, foreign capital which has actually been spent was roughly equivalent to 9 percent of overall investments in the province during the same period. As of October 1985, 318 Chinese-foreign joint ventures have been set up, along with 322 Chinese-foreign cooperative enterprises and 12 wholly owned foreign enterprises." There are 108 projects to each of which foreign investors have committed at least $1 million. Of these 108 projects, moreover, 19 involve foreign capital exceeding $10 million each. Nations and regions investing in Fujian, formerly limited to Hong Kong, Macao, Japan and Southeast Asia, now number over a dozen, including the U.S., Australia, Kuwait, Jordan, Norway, Sweden, Italy, Spain and Britain. Many international financial organizations have established financial and credit relations with Fujian. The scope of investment has also been widened, from electronics, apparel and tourism to energy, transportation, precision instruments, chemicals and other technology-intensive industries. Most enterprises which have gone into operation have produced good economic results. Geographically, investment has spread from coastal cities and villages with a concentration of overseas Chinese to 18 counties and municipalities in the interior mountainous areas. The use of foreign capital has introduced us to a host of modern managerial experiences as well as advanced foreign technology. Direct foreign investment has broadened the province's tax base and created jobs."

Advanced Technology Has Been Imported And Old Enterprises Modernized

"The import of new technology goes hand in hand with the modernization of old enterprises. It occupies a strategic place in the vitalization of Fujian's economy. How is it coming along?" During our interview, we asked Wei Lisheng about the achievements in this field.

Wei Lisheng said, "The import of technology and equipment in recent years has boosted the technical modernization and progress in all the province's existing enterprises and industries. From 1979 through October 1985, the province imported more than 600 pieces of technology and equipment. They have been instrumental in substantially raising the standard of the production technology and the quality of the enterprises in such industries as electronics, light industry, textiles, foodstuffs, metal works, machinery, chemicals, pharmaceutics, printing and packaging; promoting product succession and remedying whatever weaknesses existent in the industries. Among our imports, some are of the latest international standards of the late 1970's and early 1980's. The technologies of manufacturing contraction film, expandable pipe tobacco, high-frequency electric welding canning, medium-density fiberboard, enamel-insulated wire, low-quantity, high-intensity paper bag paper and color sensitive materials are all the first to be introduced to China and fill a technological void in the nation. Statistically, of the expansion in the province's total industrial output value last year, one third was attributed to improved economic results due to imports. The most outstanding industry is electronics. As of 1984, 51 production lines and assembly lines have been imported, the former to make spare parts and the latter to assemble whole sets of equipment, significantly enhancing the industry's capacity for product renewal and succession. The electronics industry's total output value in 1984 reached 970 million yuan and made Fujian the nation's 6th largest electronics producer, up from the 16th position in 1980. A satisfactory momentum has also appeared in the import of foreign technology in agriculture, forestry, animal husbandry and fishery.

Expanding Foreign Trade And Intensifying International Transactions

Wei Lisheng then told us, "The open door policy has boosted our province's export capacity. The foreign trade situation is most gratifying. We now have trading partners in every continent."

He said, "Since the open door policy was adopted, we have made considerable progress in foreign trade, increased our foreign exchange earnings and improved our ability to make payments in foreign currency. In 1984, our imports and exports totalled $692 million, up 2.4-fold over 1978. The average annual increase rate was 22.4 percent. With exports at $420 million, up 7.4 percent over 1983, we sold more than we bought last year. As of 10 November this year, we have already fulfilled ahead of time all the export tasks assigned by the state, having exported $350 million worth of goods. Our province now trades with over 120 nations and regions in the world. Our exports are diversified and come in all forms and shapes, with endless changes in pattern, color, design and variety. The export values of over 50 commodities are among the nation's highest, including 'Narcissus' canned food, 'Dove' plastic slippers and artistic cloth shoes, 'Sailboat' rosin, 'Litchi' and 'Rooster' mosquito-repellant incense. Products with a local flavor, such as jasmine tea, oolong tea, lotus seeds, white dried bamboo shoots, mushrooms and narcissus, and traditional arts and crafts like bodiless lacquer ware, Shoushan carved stone, lacquer furniture, straw goods and cork painting are all highly esteemed abroad. Then there is the range of new commodities which have already had a promising start. Examples are freshwater eel, sneakers, toys, jewelry, color , granite plate, electrical machinery and instruments, chemical products and such nonmetallic products as crystalline silicon and heavy spar, all with great potential.

"In recent years, we have made a good beginning in contracting for international projects and labor cooperation. How do we interpret the province's progress in this new area of international economic and technical cooperation?"

Wei Lisheng said, "Through a variety of channels and approaches, we have been contracting to build all kinds of projects and engaged in all forms of labor cooperation, in the process expanding international economic cooperation and exchange. From 1980 to the end of 1984, we concluded 177 contracts involving either engineering projects or labor cooperation, with a total price tag of over $46 million. Altogether we have sent out 3,100 men times, most of them sailors, construction workers and personnel in such trades as apparel, toys and electronic assembly, to such nations and regions as Hong Kong, Macao, Japan, the Philippines, Singapore, Bangladesh, Yemen, Iraq, Sierra Leone, and . The projects we have undertaken include the Shuanglong Industrial Building and the Lingnan Industrial Building in Macao. Among our foreign aid projects are a sugar-cane plantation, a sugar refinery and staff housing in Sierra Leone; the Hualimo Hydropower Station, the Beining Friendship Sports Stadium and other construction and installation works in Equatorial Guinea, and medical teams to Senegal and Botswana. In addition, 10 non-trade joint ventures and cooperative enterprises have been set up in Hong Kong, Macao, Bangladesh, Yemen, Thailand and so on."

"Our open door policy has another spectacular achievement, namely, expanding international economic interactions and developing friendly relations with other nations." Wei Lisheng briefed us about Fujian's foreign relations.

He said, "Right now Fujian has economic relations and trades with over 120 nations and regions in all five continents. To consolidate economic links and cooperation between Fujian and Hong Kong, Macao and the rest of the world, the province has established Huamin Co, Ltd in Hong Kong as the general agent for Fujian's enterprises in Hong Kong and Macao. Moreover, the province's Foreign Trade Corporation has set up external trade and economic cooperation offices and enterprises in New York, Tokyo, London, Togo, etc. In 1984 alone, the Fujian branch of the China Council for the Promotion of International Trade invited and received 170 relatively large-scale trade delegations from the U.S., Japan, the Netherlands, Belgium, Singapore and Hong Kong. It has also played host to 13 foreign exhibitions and their 800 participants from overseas and Hong Kong. In recent years, Fujian has established friendship relations with Nagasaki Prefecture in Japan, the state of Tasmania in Australia, and Oregon, U.S. Fuzhou has entered into friendship city relations with Nagasaki and Nara, both in Japan, while Xiamen has done likewise with Cardiff, Britain; Sasebo, Japan; Cebu, the Philippines; and Baltimore, U.S. Economic relations and trade between these friendship cities and prefectures have also been developing continuously, strengthening mutual understanding and goodwill and providing favorable conditions for one another's economic growth.

Training And Educating A Host of Cadres

"Six years of practice in the open door policy have also been excellent education and training for leaders at all levels and the broad ranks of cadres." Wei Lisheng concluded the discussion by noting that the open door policy has not only produced positive political effects and benefited the economy, but is also a windfall ideologically. Released from our own little cocoon, we now look at the world with a broad view. Our vision has been widened, our ideas liberated. We have become more knowledgeable and can now breathe in fresh air. International transactions and activities have made many cadres better-informed and more competent, at the same time nurturing a host of people skilled in international business.

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FOREIGN TRADE AND INVESTMENT

JOINT VENTURES IN GUANGZHOU JOIN ECONOMIC GROUP

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 28 Dec 85 p 3

[Text] The Guangzhou Federation of Industry and Commerce held a reception today to welcome Chinese-foreign joint and cooperative ventures which have joined it as members.

Among the first Chinese-foreign joint and cooperative ventures to join the federation are 16 concerns, including China Hotel, Garden Hotel, Guangdong Guest House, China-Hong Kong Air Conditioning and Electrical Engineering Co, White Cloud Toy Factory and Renren Restaurant. In addition, 35 board chairmen, general managers and deputy general managers from 24 joint and cooperative ventures have joined the federation.

The general manager of Garden Hotel, Mr Lu Bao Jia, a Swede, attended the reception as representative of the enterprises.

Mr Guo Kewei [6753 0668 3634], deputy general manager of China Hotel for the Hong Kong side, told reporters, "I am pleased to be a new member because I will have more opportunities to exchange economic information."

Founded in 1952, the federation is a private economic group made up of enterprises and individuals from industry and commerce. Its functions are to represent the legitimate rights and interests of its members, reflect their opinions and demands to government and provide them with economic information.

The federation currently has over 2,000 members.

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FOREIGN TRADE AND INVESTMENT

SUZHOU, WUXI, CHANGZHOU INCREASE FOREIGN CAPITAL USE

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 28 Dec 85 p 1

[Text] Suzhou, Wuxi and Changzhou, three cities with robust economic prowess, took the first steady step toward opening themselves up to the world in 1985.

During the year, a host of foreign investors came here looking for ideal business partners. The cities, for their part, despatched a string of study missions and economic delegations to Hong Kong, Macao and overseas to introduce to local businesses their agricultural and industrial conditions and attractive investment environments.

Suzhou approved as many as 44 projects involving foreign capital from last January through October, of which over 90 percent are production projects. They are valued at more than $40 million in foreign exchange, almost double the annual total in 1984.

In Wuxi, which has had some experience in foreign capital use a few years back, 20 projects materialized this year involving direct foreign investments, including joint and cooperative ventures. The amount of foreign capital actually spent in 1985 is expected to exceed $10 million, up 15 percent over 1984. The share of foreign capital in the total investments of these projects will increase to 60 percent from 30 percent in 1984.

Changzhou has been stepping up the construction of joint ventures so that they can go into production and yield economic benefits as soon as possible. Of the six Chinese-foreign joint ventures under construction this year, three have been completed and opened for business while construction is expected to end soon on two others.

There is a number of new features regarding the three cities' foreign economic and technical cooperation in 1985. The sources of foreign capital are being broadened, from Hong Kong, Macao and Japan to Western Europe and the U.S. The ways in which foreign capital is put to use have been diversified and refined. Compensation trade, processing and Chinese-foreign joint ventures have now been joined by other mechanisms like cooperative ventures and international leasing. Industries attracting foreign capital, formerly limited to traditional industries like light industry, textiles and silks, have also increased to include commerce and tourism. Foreign capital now finds its way into outlying counties and the villages as well as cities.

Situated in the Chang Jiang delta, Suzhou, Wuxi and Changzhou have a solid agricultural base and a relatively well developed commodity economy. In February 1984, the Chang Jiang delta was designated as an opened coastal economic zone, creating an even more favorable environment for the region's foreign economic cooperation.

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FOREIGN TRADE AND INVESTMENT

GUANGZHOU USES FOREIGN CAPITAL TO IMPROVE SERVICES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 24 Dec 85 p 3

[Text] Through the use of foreign capital, the commercial and service sector in Guangzhou has overhauled some old enterprises, built new ones and modernized and strengthened service facilities, thus gradually solving the longstanding difficulties of finding hotel accommodation, food and means of transportation in the city.

Guangzhou's commerce and trade are tied to their foreign counterparts in a hundred and one ways. To adapt to the needs of the open door policy, scores of shops and markets have used foreign capital to renovate and remodel themselves and buy modern facilities. Nanfang Building, Friendship Store, Wailun Supplies Co and Huaxia Co, etc., have all been air-conditioned and added supermarkets to their stores. Haizhu Market has imported a number of freezers and recently put up 5 three-dimensional aquariums where a wide range of rare live seafood is displayed for customers' selection. It is now a relatively modern, large-scale general food market with a Guangzhou flavor.

Following renovations financed by foreign capital, six guest houses, including Dongfang, Liuhua and Guangzhou, have become high-class hotels complete with modern facilities. Together with other new luxury hotels like China, White Swan and Garden, they provide close to 1,000 modernly furnished hotel rooms with 2,000 beds. No longer do the 2 million foreign visitors who come to Guangzhou each year have to worry about finding accommodation.

After famous restaurants like Panxi, Dasanyuan and Taotaoju were remodeled in cooperation with Hong Kong investors, the city now boasts 72,000 dining spaces. Not only do its old eateries now wear a brand new look, but also gone are the long queues that one must join in the past in order to buy a meal.

Guangzhou residents have long been plagued by the dearth of means of transportation. This problem too has now been solved by the infusion of foreign capital. According to statistics from relevant departments, there are currently 70 to 80 car-renting units in the city with a combined fleet of over 4,000 cars. All are cooperative ventures involving Hong Kong capital.

Since 1979, Guangzhou has adopted a plethora of methods to develop commercial services in cooperation with Hong Kong investors, including 26 tourist projects with a combined capital of $284.51 million. Priority was given to solving the problems one experienced in finding hotel accommodation, a table in a restaurant and means of transportation in order to meet the demands of the open door policy.

Guangzhou uses foreign capital to provide up-to-the-minute international services so as to improve the operating environment for enterprises. A majority of its hotels and restaurants are fitted with such trendy facilities as video game parlors, bars, bowling alleys and gymnasiums. In the past, there was a lack of recreational facilities in the city. This is now changing gradually, with a substantial improvement in economic results.

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FOREIGN TRADE AND INVESTMENT

SHANDONG TRYING TO IMPROVE EXPORT QUALITY

Jinan DAZHONG RIBAO in Chinese 12 Nov 85 p 2

[Article by Liu Jinzhen [0491 6855 4394], Director, Shandong Import/Export Inspection Bureau: "We Must Maintain Quality First for Exports"]

[Text] The CPC Central Committee's "Proposal" regarding the 7th 5-Year Plan states, "Increasing exports and earning even more foreign exchange is the key to implementing the open policy, using more foreign investment and importing technology." Shandong's foreign trade occupies an important place in China and therefore the task of expanding exports and earning foreign exchange will be more arduous in the future. From the perspective of Shandong's experience in commencing foreign trade, to expand exports and earn more foreign exchange we naturally must start from the export product mix, open the international market and begin export production, and make an accurate strategy that is suited to the needs of the international market and China's national conditions. Yet at the same time we must maintain the policy of quality first for all exports.

In the past year there have been rather great improvements in the quality of Shandong's exports and some changes in the export product mix. When compared with real needs, there is still a lot to be done. For example, some of Shandong's exports have a long history and are staple exports but they do not bring a good price on the international market because of quality, variety, or colors that have not been improved for a long time. The selling price of a good may be only a small fraction of that of another country's goods. The selling prices of some exports is low and the volume falls each year because of backward processing techniques or rough handiwork. Thus it is obvious that there is great potential to expand exports and augment foreign exchange earnings by improving quality. If Shandong's more than 1,500 kinds of exports can reach rather high quality standards as soon as possible they will be strongly competitive on the international market and then foreign exchange earnings will grow. We must work on many aspects to improve product quality. For example, we must use advanced technology, equipment and management methods; improve the technical and management levels of enterprises; set down perfected quality testing procedures and rigorous inspection and supervision systems, etc. Nevertheless the most crucial problem to be solved at present is an ideological one; it is also a problem of understanding quality improvements on the part of enterprise leaders and staff. Although a considerable portion of enterprises know that quality is important, their concept of quality is no longer suited to modern needs and quality standards are backward. For example, there have been great changes in many countries' food product health requirements. The quality requirements for imported food are very strict and there are several score tests. Some enterprises mistakenly believe that their products can be sold as high quality goods and they do not try to renovate or update. Other enterprises are shortsighted. They are happy making money from domestic markets and do not try very hard to improve product quality or enter the international market. The above ways of thinking are great impediments to improving product quality and we should earnestly conquer them. Provided that the enterprise leaders and staff truly pay attention to ideological work, firmly put improvements in product quality in a very prominent place, see that everyone regards product quality as a life and death matter, and aim at the advanced world quality, then even more of Shandong's goods will take on the international market and earn even more foreign exchange for the country during the 7th 5-Year Period.

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FOREIGN TRADE AND INVESTMENT

FOREIGN INVESTMENT MODERNIZES SHANGHAI'S INDUSTRIES

Shanghai WEN HUI BAO in Chinese 2 Nov 85 p 1

[Article by Zhu Guangming [2612 0342 2494] and Xu Qiuliang [6079 4428 4731]: "New Products Emerging in Shanghai"]

[Text] Through the use of foreign capital and the import of advanced technology and management, Shanghai is forging ahead with the technical modernization of its traditional industries. Of the 141 approved Chinese-foreign joint ventures, cooperative ventures and foreign-owned enterprises, about half are in industrial production. A host of "import-substitution" and "export-oriented" enterprises are emerging.

At present foreign investors are in the grip of an ever-rising "investment fever" that has driven multitudes of small and medium-sized enterprises as well as world famous multinational corporations to Shanghai; direct foreign investments in the city have reached about $1.2 billion. Faced with this strong influx of foreign funds, the city's foreign economic relations and trade agencies have been carefully selective in screening foreign applications, stressing the development of joint ventures making a wide range of products including woolen textiles, chemical fibers, automatic equipment, drugs, elevators, plate glass, zinc alloy toys, essence, sneakers, telephone equipment, airline food, automobiles, motorcycles and off-shore oil drilling platforms, etc. About a dozen projects have been put into production turning out products to replace what used to be imported or to be sold overseas. Thus they represent a new way whereby the municipality can save on and earn foreign exchange and open up the international market.

As most of the industrial joint ventures are technology-intensive, they play an exemplary role and definitely help promote technical modernization in their respective industries. Shanghai Volkswagen Co, a joint venture with the Federal Republic of Germany [FRG] to manufacture "Shanghai Sang-ta-na [2718 1044 4780]," is now in production with an annual output of 30,000 cars of an international standard. Not only are these cars an improvement upon the "Shanghai" brand vehicles, but some of them are also exported. The Yaohua-Pilkington Glass Co Ltd, a joint venture with Britain to make float glass; the Shanghai Bell Telephone Equipment Manufacturing Co, a joint venture with

Belgium to make program-controlled telephones; the Shanghai Foxboro Instrument Co., a joint venture with the U.S. to produce automatic meters; and the Shanghai Squibb Pharmaceutical Co, a joint venture to produce antibiotics -- all are in the international forefront in terms of technology and equipment. Some of their products and processes have filled a vacuum in China.

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TIANJIN'S HORIZONTAL ECONOMIC LINKS DISCUSSED

Tianjin TIANJIN RIBAO in Chinese 5 Nov 85 p 1

[Text] Guided by the policy of the CPC Central Committee, "Invigorate the economy at home and open the country to the world," Tianjin has made rapid progress in establishing inter-regional horizontal economic links. Formerly simple vertical operations, its economic activities are gradually moving in the direction of inter-regional and inter-industry transactions.

In accordance with the principles of doing what one does best, complementing one another, mutual benefit and joint development, the municipality has established long-term economic cooperation relations with 22 provinces and municipalities in the nation since 1980. Over the past 5 years it has obtained notable achievements through cooperation at various levels, through various channels and in various forms. Projects negotiated by the Economic Cooperation Office of the municipal government alone number 4,200, of which over 700 are joint projects, more than 2,500 involve technical cooperation and 930 involve cooperation in qualified personnel. About 50 percent of these projects have been completed or basically completed. To accommodate the development of the horizontal economy, the municipal government has set up offices in Beijing, Shanghai, Guangzhou and Shenzhen. Meanwhile over 20 provinces and municipalities have also established offices in Tianjin. In addition, the municipal Economic Cooperation Office has set up informationexchange and cooperation relations with 150 units in 28 provinces and municipalities. A horizontal economic network, consisting of both horizontal and vertical channels, is taking shape. To play its role as an urban center, Tianjin has set up over 30 trade centers of all kinds keyed to the nation and put up 427 assorted technical development and consulting service organizations. These concerns have done much to promote the exchange and circulation of commodities and technical achievements. The Economic Cooperation Office alone has imported more than 100 commodities in short supply, with a total value of 1.6 billion yuan. At the same time, the municipality has helped sister municipalities and provinces develop resources, improve product quality, expand export and apply new technology.

The establishment of horizontal economic ties transcending regions, sectors, systems of ownership, cities and villages is a big part of the restructuring of Tianjin's economic system during the "Sixth 5-Year Plan" period. Experience shows that this kind of economic links will become more and more important in the transformation of the city from a closed system to an open, multi-functional urban center.

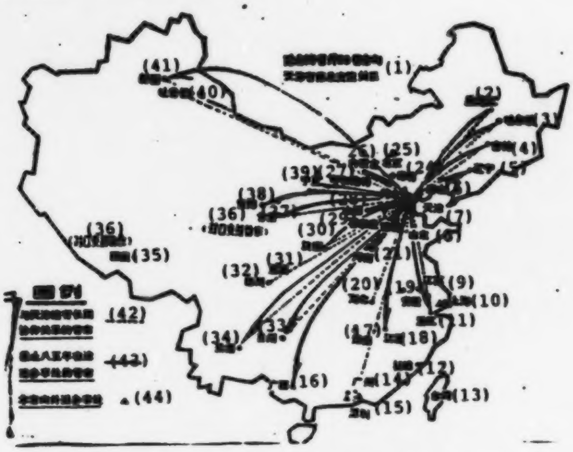

Figure 1: Network of Economic Cooperation Linking Tianjin and Sister Provinces and Municipalities

Key:

1. Except for Taiwan, 28 provinces & municipalities maintain information exchange relations with Tianjin
2. Heilongjiang
3. Harbin
4. Jilin
5. Liaoning
6. Tangshan
7. Tianjin
8. Shandong
9. Jiangsu
10. Shanghai
11. Zhejiang
12. Fujian
13. Taiwan
14. Guangzhou
15. Shenzhen
16. Guangxi
17. Hunan
18. Jiangxi
19. Anhui
20. Hebei
21. Henan
22. Handan
23. Hebei
24. Langfang
25. Beijing
26. Nei Menggu
27. Huhhot
28. Shanxi
29. Shijiazhuang
30. Shanxi
31. Chongqing
32. Sichuan
33. Guizhou
34. Yunnan
35. Xizang
36. receiving assistance from Tianjian geared to local needs
37. Gansu
38. Qinghai
39. Ningxia
40. Tulufan
41. Xinjiang
42. Have longstanding cooperative relations with Tianjin
43. Have offices in Tianjin as of 1985
44. Where Tianjin offices are located

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FOREIGN TRADE AND INVESTMENT

TIANJIN JOINT VENTURES HELD SUCCESSFULL

Chengde JINGJI XIAOXI [ECONOMIC NEWS] in Chinese 6 Nov 85 p 1

[Text] A Tianjin joint venture manager revealed that both sides are quite satisfied with the economic benefits of joint ventures in Tianjin that stress the foreign exchange balance to ensure that operations are entirely smooth. Some 34 of the existing 36 Tianjin joint ventures are profitable. Only 2 of them had losses, totalling RMB 120,000 yuan in the first one-half of this year. A turn for the better is already visible. It is estimated that deficits can be recovered by year-end.

When starting Chinese-foreign joint ventures the city strictly examines the ventures foreign exchange balance. Ventures that cannot achieve a balance are definitely not approved. Tianjin's main method is to require that goods produced by the enterprise itself are put on the international market and foreign exchange income is directly collected. By guaranteeing the state's revenues and making foreign businessmen's profits easily remitted, both sides are activated. Additional revenues this year are within sight for a coastal shrimp farm cooperative venture between Hong Kong and Tianjin businessmen. The parties involved are discussing turning their cooperative production into a joint venture. This year profits increased for the Jinhua Pan Needle Works, one of the first joint ventures, and goods produced by it entered the international market for the first time. This is the result of joint efforts by both parties. Furthermore, because of budgeted foreign exchange profits that can be distributed each year, the Chinese-French Grape Rice-Wine Co Ltd and the Li Ming Cosmetics Industry Co Ltd completely accept joint ventures. This year they decided not to remit their profits abroad but to make additional investments and expand construction in China.

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TIANJIN FOREIGN TRADE CONFERENCE IDENTIFIES PRIORITIES

Tianjin TIANJIN RIBAO in Chinese 17 Nov 85 p 1

[Article by Yue Qingjun [1471 7230 0689]: "Tianjin Foreign Trade Conference Reviews Work"]

[Text] The 4-day Tianjin foreign trade conference, which heard experts, scholars and people actually in foreign trade deliver 10 papers, closed on the 15th. The president of the China Trade Center, Zou Siyi [6760 2448 7328], specially wrote from New York, U.S., putting forward his views and suggestions. After full discussions and deliberations, the conference basically approved the general report for submission to the municipal CPC committee and municipal government. Yang Jingheng [2799 4552 5899], member of the standing committee of the municipal CPC committee, presided over the closing session while Zhang Zhaoruo [1728 2507 5387], chairman of the municipal Foreign Economic Relations and Trade Commission, gave the concluding address.

It is the sense of the conference that foreign trade is a total, comprehensive activity the development of which requires coordination and concerted efforts between all industries, all trades and all sectors. Accordingly, we should highlight the importance of promoting foreign trade vigorously by considering it part of the economic development strategy of a coastal economic urban center and make it a prominent part of economic work.

The conference discussed the following issues:

1. Speed up the training of personnel in international business and trade. We must use a variety of methods, channels and levels to develop personnel skilled in foreign business, paying particular attention to the development of foreign trade strategic decision-makers.

2. Strengthen foreign trade information and consulting services, take market surveying and research seriously and gradually build up and perfect a network where information flows horizontally as well as vertically.

3. Use flexible and diverse methods of trade. Even as we devote ourselves to the expansion of commodity trade, we must try hard to develop technical trade

and promote such non-trade services as project contracting, tourism, ocean shipping and overseas investment, among others.

During the conference Tan Shaowen [6223 4801 2429], deputy secretary of the municipal CPC committee; Yang Jingheng, member of the standing committee of the municipal CPC committee; Li Lanqing [2621 1526 3237], vice mayor; and Zheng Wantong [6774 5502 6639], secretary general of the municipal CPC committee, made a special trip to the guest house to call on out-of-town delegates as well as some local delegates.

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FOREIGN TRADE AND INVESTMENT

ZHEJIANG OFFERS PREFERENTIAL TREATMENT TO INVESTORS

Chengde JINGJI XIAOXI [ECONOMIC NEWS] in Chinese 6 Nov 85 p 1

[Text] At the Zhejiang Foreign Trade Conference Governor Wu Minda [0702 2404 6671] announced to more than 300 foreign businessmen from 16 countries and regions that those who invest in and cooperate with Zhejiang can enjoy the following preferential treatment.

Foreign-investment joint venture, cooperative or foreign-owned enterprises of a productive nature that are opened in the open economic and technical area can be exempt from income taxes and foreign businessmen's share of legal profits can be remitted abroad and shall be exempt from remittance taxes.

With approval, the enterprise income tax of technology- or knowledge-intensive enterprises or projects that have an investment of more than $30 million with a long recovery period that are located in old areas of Ningbo or Wenzhou, or the open economic areas of Jiaxing or Huzhou shall be reduced to 15 percent, and businessmen's profits shall be exempt from remittance taxes.

The income tax shall be reduced to 15 percent for foreign-investment projects in the areas of energy, transportation or harbor construction.

Imported raw materials, parts and personal communications tools and materials for daily use in cooperative or joint ventures or foreign-owned enterprises that produce exports shall be exempt from customs duties and the Consolidated Industrial and Commercial Tax on imports.

Joint or cooperative ventures or foreign-owned enterprises that provide advanced foreign techniques, technology, equipment or goods that can replace imports shall be permitted to sell a certain proportion of their goods in China.

Exports of goods produced in the aforementioned categories (excluding goods prohibited for export by the state) shall be exempt from export duties and the industrial portion of the Consolidated Industrial and Comercial Tax.

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FOREIGN TRADE AND INVESTMENT

IMPORT OF SECOND-HAND EQUIPMENT DISCUSSED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 5, Sep-Oct 85 pp 28-32, 48

[Article by Zhang Jinxi [1728 6651 3886]: "A Preliminary Look at the Import of Secondhand Equipment"]

[Text] There is a need for exploratory research on both the theory and practice of the import of second-hand equipment. As our economy develops rapidly and urban and rural economic reforms become more far-reaching, the import of such equipment will gain increasing prominence. In the past we were more concerned to import advanced technology and equipment per se than technology and equipment suited to China's circumstances and almost ignored the import of second-hand equipment. Only in the last couple of years has this situation changed. It is clearly profoundly significant for the four modernizations that we practically strengthen our leadership over the import of second-hand equipment and intensify our theoretical research on it.

I. The Need For Importing Second-Hand Equipment

The most glaring problem in China's economic development at present is its backward productive forces. And a key method of improving our backward productive forces is developing science and technology. In general there are two approaches to scientific and technological development. First, we can encourage the nation's scientific and technical personnel to innovate, conduct creative research and development [R & D] and promptly apply new scientific and technical achievements to the realm of production, thereby converting science and technology into productive forces. In the second approach, we learn and absorb advanced foreign scientific and technical achievements, carry out imitative R & D and directly apply them to production. Alternatively we may engage in destructive research, such as reverse engineering and, by dismantling a product, explore the characteristics and manufacturing process of its raw and other materials, the processing equipment used in its production, its processing technology and its design process so as to master its entire production technology. Given the present backward state of China's science and technology, the latter approach assumes particular importance and constitutes a shortcut to the development of science and technology. The import of second-hand equipment not only directly provides us with production hardware but also furnishes reverse engineering with inexpensive data.

Of China's 40 million enterprises, a substantial portion operate with outdated equipment and are technically backward. They have an urgent need to modernize their equipment, a task currently beyond our capability: we can only spend our limited foreign exchange on the nation's priority projects. The first problem we encounter in importing advanced foreign technology and equipment to replace the obsolete equipment at home is high prices. Next we run into the problem of our inability to assimilate what we purchase from abroad. High prices effectively limit our purchasing power and the quantity of our purchases, while a failure to assimilate imported equipment or to integrate it into our production setup results in waste. The import of second-hand equipment is a satisfactory solution to both problems; second-hand equipment is inexpensive and easier to assimilate.

II. What Is Secondhand Equipment?

What is second-hand equipment? Some people think it is old equipment or used equipment. Not so. Secondhand equipment includes new as well as old equipment. Old equipment may mean depreciated but usable equipment or depreciated, unusable equipment. It may also mean used but undepreciated equipment which retains some use value. Defined in the last manner, old equipment means the same as used equipment and the two expressions are interchangeable. Secondhand equipment, on the other hand, has a broader meaning. Some second-hand equipment is new equipment. For example, a factory goes broke and is forced to sell off as second-hand equipment the machinery it has ordered and never used during the liquidation proceedings. Some of the equipment on order may has been delivered while some may still be being produced. All this should be included when we consider second-hand equipment. Not only is this equipment entirely new, but it is also inexpensive and ideally suited for direct production once acquired. Some second-hand items which are relatively old are even less expensive and can be used in reverse engineering, a much more economical move than buying brand-new materials and equipment for that purpose. Of course where the project involves the study of state-of-the-art technology, we have no choice but to use the latest products. Sometimes a factory, for a variety of reasons, is forced to part with a piece of equipment it has bought to cut losses. This kind of equipment is also a suitable candidate for second-hand purchases. For example, a Brazilian company has resold to the Beijing Guangda Industrial Company a number of West German trucks, which it had purchased without taking into account the country's equatorial rain forest climate.

Secondhand equipment by and large can be classified in the following ways: by its newness,in which case it can be completely new, relatively new or semi-new; by the scale of the purchase: it can be a single piece of key equipment, a production line, a whole set of equipment or an entire plant; and by the financial status of the seller: the equipment may be put up for sale by a liquidation committee, by a profiteering middleman or by a factory strapped for cash or switching to another line of product.

There is a common tendency to opt for relatively or completely new second-hand equipment. But circumstances differ from case to case; we should decide how old or new a piece of equipment we should buy by analyzing the facts of the case in hand and the uses to which the equipment will be put. As far as the scale of the purchase is concerned, the rule of thumb is to buy a production line rather than a piece of equipment, and to buy an entire plant rather than a production line. This is because if we look at the price of a piece of equipment, the bulk of it is accounted for by the key equipment and main production line, with the accessories costing next to nothing. Say you want to buy the engine of an old ship. Rather than buying just the engine, you would do better by buying the entire ship because the engine often costs as much as the ship. By buying the entire ship, you acquire the ship plate and other accessories.

What is presented above is only a crude classification of second-hand equipment. It gives us a preliminary idea of a subject which is more complex in reality. There is no need to go into detail here.

III. Characteristics Of The Import Of Second-Hand Equipment

The most outstanding feature of importing second-hand equipment is its inexpensiveness.

If its patent period has already expired when we buy a piece of second-hand equipment, and if the seller is the patentee, we will take possession of the patent as well as the equipment. In the West, a patent is usually good for 15 years or more. It is not an infringement of a patent to buy a piece of equipment used for the manufacture of a product covered by an unexpired patent.

Importing second-hand equipment is often a way to get around the export restrictions of foreign governments. There is some equipment which cannot be exported in a brand-new state. If it is second-hand, however, it is not subject to that restriction. Examples are certain equipment which makes military hard-ware and cutting-edge products.

Second-hand equipment is often superior in that it fits China's circumstances, that is, the standard of the country's productive forces. Generally speaking, we should consider the following factors when we import technology and equipment: 1) Does the nation need it urgently? 2) Do we have the funds for it? 3) Is it on the restricted list of a foreign government? 4) Does it reach a definite advanced level? 5) Can we assimilate it? This list is certainly not exhaustive. Of the five factors, the first one is undoubtedly a prerequisite. Both the second and third factors apply to the import of second-hand equipment. We should be particularly mindful of the fourth factor when we import second-hand equipment; we have no use for obsolete equipment which should be eliminated. The last factor is also relevant to second-hand equipment import: often the latest equipment we cannot assimilate while what we do need most is technology and equipment which may not be state-of-the-art but which suits our national conditions best. Since it is inexpensive, we will not balk at discarding or replacing a piece of second-hand equipment after it has served our purpose for some time. With its short life cycle, second-hand equipment fits in nicely with the ever-changing nature of modern science and technology and the versatility of modern production. Large, self-contained equipment which lasts and lasts cannot keep up with the frantic pace of scientific progress today. The contemporary trend is toward small, self-contained industrial structures. To borrow a term from weiqi, the structure should be light and flexible, not unwieldy.

IV. The Possibility Of Importing SecondHand Equipment

The possibility of importing second-hand equipment is in effect a question of exploiting the capitalist economic crisis. We know that economic crises in the capitalist world are cyclical. During a capitalist crisis, large corporations are stuck with surplus capacity and may suspend operations and production, while there is a wave of bankruptcies among small and medium-sized enterprises. This is an excellent opportunity for importing second-hand equipment. In the early 1930's, for instance, the Soviet Union made good use of the Depression in the capitalist world by importing vast quantities of equipment. At the time it was the largest importer of foreign machinery in the world, purchasing one third of total world machinery exports in 1931 and one half in 1932. Only during the Second 5-Year Plan (1933-37) did it cut back on foreign machinery and equipment purchases due to an increase in its own production capacity. Among equipment bought by the USSR, a considerable portion consisted of second-hand equipment, key installations, even entire plants, bought from Western factories which had gone bankrupt. The import of machinery on this massive scale enabled the Soviet economy to grow rapidly and helped lay a solid material foundation for Soviet victory in its anti-fascist struggle during World War II. For instance, the tractor plant it imported during the Depression switched to making tanks during the war. We should learn from the Soviet experience in exploiting the capitalist economic crisis.

Since 1975, the capitalist world has been plagued by stagflation which has not yet run its course. Although the U.S. economy has bounced back fairly strongly in the past 2 years, the recovery may be a temporary phenomenon. With capitalism in the throes of structural readjustment and recession a frequent occurrence, some enterprises will go out of business while others will switch to another line of product, reorganize or merge with another firm. It is an important part of our import of advanced technology and equipment to make use of this situation to make some good second-hand buys.

When recession hits the capitalist world, small and medium-sized enterprises are the first to suffer. And it is the equipment of just these enterprises which is often most suited to the standard of our productive forces and is easier to absorb and assimilate. As it is inexpensive and can be put into production and produces results quickly, it should be what we go after when we import second-hand equipment.

Even when capitalist economies are booming, corporate bankruptcies, closures, mergers and changes in production lines happen frequently. As long as we keep ourselves well informed, opportunities for second-hand purchases are everywhere.

V. Major Links In Second-Hand Equipment Import

The import of second-hand equipment belongs to the realm of the import of technology and equipment. But even though it is similar to the latter as generally defined, it has its own special features resulting from the uniqueness of the second-hand equipment market. The main difference is this. The technology and equipment market as we normally understand it is relatively stable. A buyer can buy off the shelf, so to speak, or place an order. Buying and selling are conducted step by step in accordance with regular procedures; the whole transaction is more susceptible to planning. The second-hand equipment market is radically different in that it changes by the minute. Where and from whom you can buy second-hand equipment is purely accidental and unpredictable. There is a high degree of fortuity about the entire process. This fortuity determines that when we import second-hand equipment, we must come to grips with three important links: information, qualified personnel and the simplification of import procedures. Let's examine them in turn.

(1) Information. The importance of information in international economic intercourse today is self-evident. No information, no deal. Information is of special importance to the import of second-hand equipment. This kind of information is also extremely volatile. Information on the second-hand equipment market can be divided into two kinds, supply and demand. Supply information pertains to the seller and since it originates abroad, we also call it foreign information. Domestic information pertains to the buyer and since it originates at home, we also call it domestic information. Combine these two kinds of information, and you satisfy the minimal condition for a deal.

Foreign information, for one thing, is usually unstable, changeable and highly time-dependent. If we are indecisive, we stand to lose a good opportunity. Once a seller has sold a certain piece of second-hand equipment, we will not be able to buy from him the same kind of equipment. This situation is rather like an auction. Second, this being a big world, suppliers and sellers abound. So we can say foreign information is inexhaustible.

To get hold of foreign information, we need more than second-hand equipment import personnel who keep their eyes and ears open. We must also establish an information network on the second-hand equipment market and seek to understand foreign information through our commercial counsellors' offices, banks, embassies and other Chinese institutions overseas. Study missions are another way of getting to know the second-hand equipment market. Of these methods, researching the second-hand equipment market in the course of regular transactions with Chinese banks overseas and foreign banks is of particular significance. This is because we purchase much of our second-hand equipment from factories going under. For instance, the motorcycle plant imported by the International Trust Investment Company from Germany on behalf of Tianjin was bought from a concern which was going out of business. Under normal circumstances, when an enterprise goes under, a bank steps in to take care of the liquidation proceedings. Banks, therefore, have direct access to information on second-hand equipment market. Another approach is through study missions, which of course does not mean that we must send delegations overseas charged with the special task of studying the market for second-hand equipment. But it does mean including a second-hand equipment investigator in the various study delegations we despatch abroad or appointing a delegate to double as second-hand equipment market investigator. This method provides first-hand data.

The understanding of the market for second-hand equipment should become part of the daily work of our commercial counsellors' offices, banks, embassies and other Chinese institutions overseas for which a specific employee will be held responsible. We must put an end to the lack of involvement by banks in the import of second-hand equipment, something which cannot be accomplished without a circular from the State Council explicitly to that effect. The plethora of Chinese institutions abroad collecting information and channeling it toward the organizations at home which deal with second-hand imports;, these organizations, in turn, forwarding it to domestic users and pulling together domestic and foreign information -- this is information-gathering by key points.

There is also a surface approach to gathering information, which essentially means understanding the foreign second-hand equipment market via middlemen. Middlemen may and may not be overseas Chinese businessmen who, scattered all over the world, are a force in the four modernizations not to be ignored. Through them, we can gain access to an even larger spread of information. By combining the point approach with the surface approach, we can ensure a smooth flow of information, a prerequisite for the import of second-hand equipment.

Domestic information pertains to what domestic users demand. China is a vast country with myriad enterprises, many of which are in desperate need of technical modernization and equipment renewal, so there is also a wealth of domestic information. Compared to foreign information, however, domestic information is of a smaller quantity and also more stable. Collecting domestic information is correspondingly easier. We can send out letters of inquiry or conduct face-to-face talks. The information thus collected can be stored in agencies in charge of second-hand import to form a user information bank available for inspection anytime.

Which should we come to grips with first, foreign or domestic information? There is no hard and fast rule. Generally speaking, we should first zero in on the more straightforward part of a task. Accordingly, we should begin by concentrating on and mastering the domestic demand end, followed by an effort to look for sellers abroad. If we do it the other way round, that is, concentrating on foreign information first and then looking for domestic users, we may not be able to come up with them at short notice and hence let a good opportunity slip by. Of course this does not apply to all cases.

To understand foreign supply information and domestic demand information requires a spirit of full cooperation. Agencies which play a part in providing second-hand equipment information -- commercial counsellors' offices, banks, embassies and other institutions overseas -- belong to different sectors. If they lack a spirit of cooperation for the sake of the four modernizations, our work will come to nothing. Real-life instances abound of cooperation making the difference between success and failure.

To come to grips with foreign information, we must adapt ourselves to its special characteristics of volatility and time-dependency. To get a firm grasp of domestic information, we must do likewise with its characteristics of accuracy and suitability. Full coordination between the gathering of domestic and foreign information is the essence of second-hand equipment information work.

(2) Qualified personnel. Once information is in hand, we still need a host of people with both technical expertise and business skills if we are to use our information well and strike a deal. Without such people, we will have a lot of difficulties. We know from experience that an outstanding foreign trade worker lacking technical or professional competence hesitates to import an item even though he knows it is available because he cannot tell whether it is good or bad. Conversely, the technical expert who knows nothing about foreign trade is at a loss as to how to go about importing foreign equipment. When it comes to actually importing technology and equipment, therefore, we are in effect forced to mobilize both the trade expert and the technician, which often means putting three or more people in the field to tackle one single foreign businessman. The inefficiency of such an approach is obvious and all because our foreign trade personnel know nothing besides foreign trade. Rare are those who have both technical and trade skills. And if they happen to come from different sectors and are answerable to different bosses, cooperation will be even more fraught with difficulty. This happens often in equipment and technology import. Hence the need for a major effort to train foreign trade personnel proficient in technology as well as trade.

(3) The simplification of import procedures. The special quality of the market for second-hand equipment determines that the import of such equipment cannot follow established procedures as rigidly and bureaucratically as conventional technology import. It has no room for buck-passing and step-by-step examination and approval. Personnel in charge of second-hand equipment must have the authority to make on-the-spot decisions, so the simplification of import procedures and the reform of the management system are critical issues in the success of second-hand equipment import. In our experience, it is a sound approach to delegate the implementation of a project to the project manager, give him full power to oversee the whole project from beginning to end and make him answerable to the board of directors.

(4) The pricing of second-hand equipment. Should the price of a piece of second-hand equipment be determined entirely through the bargaining process during negotiation? Not quite. In the case of some old equipment, their prices are decided by their depreciation period and usually hover around the original price minus depreciation. In the U.S., plants, machinery and means of transportation are depreciated in 10, 5 and 3 years respectively. If the seller of the equipment in question is an enterprise going broke, its price usually approximates the amount of debt owned the creditor. As long as the price offered basically pays off the creditor, it will be acceptable to the seller. When a piece of equipment is put up for sale because its owner is strapped for cash, an acceptable price will be one which will put enough cash in the seller's hands to solve his cash flow difficulties. There are other situations in which an enterprise made an ill-considered purchase and has no

choice but to resell it. This kind of seller wants to make good his losses to the greatest extent possible and will be happy provided he can cut his losses. In these cases, prices are determined by negotiation.

To capture the initiative in second-hand equipment price negotiation, we must first have a clear idea of the seller's credit position. Combine this knowledge with negotiating skills and an understanding of his psychology and we can clinch a deal.

(5) One of the characteristics of the demand information of domestic users is that it is clouded with preconceived notions. Some domestic users, for instance, are so convinced of the virtues of a particular product or equipment that they insist on it even though it may be obsolete or is no longer in production. The foreign businessmen benefits from our obsession in two ways: he can unload on us his outdated equipment and makes a handsome profit in the process. This mentality among domestic users, a result of lack of information, militates against our economic development. Japanese merchants, for instance, have shrewdly taken advantage of it and enriched themselves by dumping substandard, outmoded equipment on us. We must give this problem full consideration.

Now and then domestic users also get into a buying stampede and bid up prices, in sharp contrast to our exporters who try to outsell one another by slashing prices. Guangda Company, for instance, imported a set of equipment from the U.S. After they got wind of this purchase, several other users also quoted prices to U.S. firms. In the end, the State Economic Commission was forced to step in and imposed a centralized system. Only then was the import successfully concluded.

As far as China is concerned, the import of second-hand equipment is new territory. The above discussion is essentially a summary of our experience in this novel area. The theoretical aspect is preliminary, exploratory and very immature. The purpose of the article is to elicit more thoughtful ideas and more writings on this topic so that the import of second-hand equipment will be more successful.

12581
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FOREIGN TRADE AND INVESTMENT

CHINESE COLOR TV INDUSTRY ENTERS INTERNATIONAL MARKET

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 16 Dec 85 p 3

[Text] China's color television sets have begun making their way into the international market, according to the WENHUI BAO. Beijing alone exported 20,000 sets of the "Peony" and other brands to Western Europe and Southeast Asia this year, earning $5 million in foreign exchange for the nation. It is learned that China will export TV sets on an extensive scale next year, of which color sets will account for one third.

Currently China has four major color TV set production centers, turning out such well-known brands as "Beijing," "Panda," "Gold Star" and "Peony." On average a Chinese color TV can operate for 15,000 hours without a break-down. Our TV sets have attained the standard of similar products in other parts of the world.

The rapid growth of China's color TV industry can be traced to our import of advanced foreign technology. Since 1980 we have successively imported 70 color TV assembly lines to make complete sets and a number of production lines to make components and accessories, which laid the foundation for our color TV industry. At present the industry is trying to achieve two major strategic shifts: from depending on imported technology to manufacturing complete sets domestically, and from satisfying the domestic market to making our entry into the international market. To that end, the Ministry of Electronics Industry has made plans for the gradual domestication of the TV industry. Beginning next year, the price of Chinese components as a portion of the price of a complete set (excluding the picture tube) will be raised to 70 percent and, in some cases, 80 percent. This must be achieved without lowering the quality of the machine as compared to its imported counterpart. In this way, the amount of foreign exchange spent on each color TV set can be lowered from its present level.

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CHEMICAL INDUSTRY BOOSTS EXPORTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 24 Dec 85 p 3

[Article by Xing Fengbing [6717 7685 3521]: "Outstanding Export Record for Chemical Industry during the 6th 5-Year Plan"]

[Text] During the "Sixth 5-Year Plan," agencies in chemical industry vigorously promoted the import and export of chemical industrial products and obtained solid achievements in importing technology and equipment, exporting products, bidding for foreign projects and labor cooperation, etc. This was revealed at the national chemical industrial import and export work conference held in Beijing. Preliminary statistics show that chemical industrial imports and exports totaled $19.9 billion during the past 5 years, up 70 percent over the "Fifth 5-Year Plan" period. Chinese chemical industrial exports include organic industrial chemicals, rubber products, dyes and paints, and earn $700 million in foreign exchange each year.

During the "Sixth 5-Year Plan," the chemical industry imported a total of 466 pieces of advanced foreign technology and key equipment at a cost of $750 million. There are several gratifying trends about the imports. First, more and more of them are used to modernize existing enterprises technically. Of the 63 deals made in 1984 alone, 44 involved technical modernization. Second, imports have become more diversified. Instead of buying mostly whole sets of equipment as we did in the past, now we shop for software, design and make hardware in cooperation with other nations, and buy patented technology and key equipment in an all-out effort to save foreign exchange for the country. Third, we now buy from a widening range of nations and regions. Apart from dealing with developed nations like Japan, the U.S. and the Federal Republic of Germany, we have also strengthened cooperation and trade ties with the Third World and nations in Eastern Europe.

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FOREIGN TRADE AND INVESTMENT

NECESSARY CONDITIONS FOR JOINT VENTURES

Tianjin KEXUEXUE YU KEXUE JISHU GUANLI [SCIENTIOLOGY AND MANAGEMENT OF S&T] in Chinese No 2, 1986 pp 6-7

[Article by Keizo Umeda, Himeji Junior College, Hyogo Prefecture, Japan; rewritten by Yong Qian [0516 3677], Zhao Beiwang [6392 054 2598], chief editor: "Necessary Conditions for Joint Ventures"]

[Text] In a world where science and technology progress day by day, it is rather difficult to be outstanding among other competitors; therefore, every enterprise tries to change the structure of its industry and technology and consolidate its position through joint ventures.

However, there are also lots of examples of termination of an agreement of cooperation among the developed countries. At present, the conflicts are acute. In general, joint ventures have the following problems:

1. The items of joint-venture enterprise are more mature, so the introducing country loses the characteristics of being a new producer and also loses the true significance of joint ventures. Thus a joint-venture enterprise can be banned easily by the mother company.

2. Owing to the recession of joint-venture enterprises, their strategies of management must change; otherwise the result will be that the investor country cuts its investment and limits it to a small amount of capital or recalls its total investment. Consequently, the other party revokes the administrative power of the investor.

3. The elimination of obstacles to both parties on the basis of mutual understanding and mutual trust between the two partners not only in appearance and formality but also in an honest and sincere exchange of opinions and management.

4. In case difficulties or problems in management emerge in the mother company, the contract is cancelled and the enterprise is managed independently by a single party.

Therefore, it is necessary to summarize conscientiously the causes of failure of joint-venture enterprises and pursue the ways and means of success and improvement.

Sources from multinational enterprises in Europe and Japanese enterprises abroad reveal that the causes of failure of joint-venture enterprises can be summed up as follows: incomplete market research and inadequate investigation within the enterprise, poor management by the mother company, and a change in foreign investment from the mother company.

The causes of failure from the local society include inconsistency of opinions with the [mother?] company and external causes, mainly from an economy that is overproducing. To avoid the above-mentioned occurrences, the key is to maintain harmony with the local enterprises and collect information from the client countries to become mutually prepared; select the places for local investment, analyze the characteristics of the products and the competitive situation, predict the buying power of the joint-venture enterprise, and determine the purchasing price, conditions, and commercial customs, according to the size of the market; and analyze, through the cycle and according to the cost of transportation, the conditions for production equipment, materials, regulations about the social effects of pollution, and labor in order to explore the productivity of the enterprise, the tax system, capital transfers, and the budget. The most important among the conditions mentioned above is how to make a selection. It affects whether the enterprise can be successful or not. Besides, it is necessary to study further the culture and history of the host country in order to communicate for the joint-venture enterprise and eliminate misunderstandings. Also attention must be paid to the distribution of authority. It is necessary to conduct technology transfers and develop new technology on a broad scope from manufacturing and processing to management.

In technology transfers, it is important to introduce new technology; however, it is even more important to develop new technology. If new technology is developed, there will be room in both the developed and the developing countries for technology transfers. Modern multinational enterprises do not rely on capital or ownership but pay attention to the distribution of production in order to enhance the cooperation between East and West.

Nevertheless, the essence of joint-venture enterprises is to enable the partners to draw on the strengths of each to offset the weaknesses of the other to maintain the cooperative system. Once mutual trust is established among the partners, it is necessary to overcome any difficulties; otherwise, that organization is bound to collapse, no matter what it is. This is what we should always remember.

But in the past few years, the international investment environment has changed and some new problems need to be solved urgently. As we saw in Iran, even in a so-called stable market and host country, with revolution, internal disorder, and war and with the ending danger of a termination of the projects in progress and a takeover of capital before fulfillment of the contract, the future situation can be hard to imagine. Countries with an accumulated debt include most developing countries striving to carry out their economic policies but these countries are still thought to be the most promising countries as host countries for investment. However, because of the accumulated debts, the profit received by the host country is greatly limited and, as a result, the reinvestment of that profit in the host country by the investor is limited.

Thus, there are strategic measures such as the signing of an investment protection agreement between the investor and host countries in order to lessen or minimize the investment danger.

In China there are in general many achievements in the acceptance of foreign investment, but the following problems still exist: 1) there is more cooperation based on an agreement but few on joint venture; 2) more capital comes from Hong Kong and Macao compatriots and little comes from foreign enterprises, or consortiums; 3) there are more medium-size and small items but few large ones; 4) there is more investments in tertiary industries but little in manufacture for export; 5) in intended investments which have been revealed, there are more items which require longer terms of negotiation while few eventually arrive at a satisfactory conclusion; 6) the amount of investment stipulated in the contract is high while the actual investment is low; 7) more foreign investment is introducted but foriegn exchange created with the foreign investment is little.

In joint-venture enterprises with investment from Japan, from basic enterprises to enterprises representing a great volume of trade, and if underwater operations are included, along with the increase in the number of joint-venture enterprises, the kinds of the enterprises have also expanded in many aspects, from the servicing and manufacture of motors or generators and fiber products to the manufacture of automobiles.

The reasons for the rapid growth in Sino-Japanese joint ventures are, first, because China has made great efforts to expand favorable treatment and enhance the law. However, the problems caused by the increase of joint-venture enterprises have become cleared. The main problems are the following: now, in the joint venture, the most troublesome thing for the Japanese party is the pricing of land and the second is the insufficiency of transportation at the harbors, which affects exports. Therefore, the harbors need to be reorganized and enhanced and new ones built. Third, people do not quite trust the supply of energy and raw materials. Though the supply of energy and raw materials for joint-venture enterprises has priority, severe energy shortages in the country exist, especially in electricity, and when joint-venture enterprises increase later on, the stable supply of electricity in some places may experience some difficulties. Fourth, the sovereignty of labor enterprises, yet the enterprises can only recruit workers in the suburbs; they hope to recruit the finest workers in an wider area but there exist difficulties in applications for residence in the municipalities. Furthermore, wages tend to rise, especially when there is a shortage of people who can speak foreign languages, and their wage increases have been great. Besides, there are some problems in labor control. In the establishment of some joint enterprises, some managers think they must fully realize the meaning of the existence of the labor union. The fifth problem relates to the regulations about the distribution of foreign exchange and the strengthening of the obligations to export. Owing to the strict control policy over foreign exchange, joint-ventures enterprises or those based on technological cooperation with foreign countreis worry about their production being caught up in difficulties, and so foreign exchange capital must be positively suppled for the importation of advanced foreign technology by local export industries. If foreign exchange capital becomes more flexible and accommodating, the foreign exchange control will be relaxed a little, and thus the obligation to export for the joint enterprises will be strengthened. Sixth, along with the progress of technology transfer, some disputes over the expense of technology transfer will arise. In the introduction of foreign advanced technology, some Chinese in charge do not know about paying technology consulting fees, fees for using others' patents, and deposits for security. For example, the unwillingness to acknoweldge the value of some technologies is the biggest stumbling block in the trade for foreign enterprises to transfer technology to China. In the future, in the cooperation between China and foreign countries, if China does not acknowledge "technology fees," the work of introducing advanced technology will not be able to proceed smoothly. The seventh problem is the restriction of investment proportions in joint enterprises. China has strict restrictions on the number of enterprises that have foreign capital in the majority, which is contradictory to the regulations of joint-venture enterprises. The final important thing is the terms of the joint enterprise. The Japanese enterprises hope that the term designated by the current regulations will be extended appropriately.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

TIANJIN JOINT VENTURES--Tianjin's 50 Chinese-foreign joint ventures now in business reported sales of more than 100 million yuan and a profit rate of 24.5 percent in the first 3 quarters of this year. This was disclosed by a leading cadre from the Tianjin Foreign Economic Relations and Trade Commission at the second meeting for Chinese-foreign joint ventures yesterday. He also revealed that a vast majority of the 50 joint ventures have either balanced their foreign exchange income and expenses or achieved a surplus. Six of the 50 concerns have recouped their investments, while business is improving at 3 others operating in the red so far. By year end two of them will have eliminated their book deficits. [Article by Hao Zhaoguang [6787 3564 0342]] [Text] [Tianjin TIANJIN RIBAO in Chinese 17 Nov 85 p 1] 12581

CSO: 4006/628

SPECIAL ECONOMIC ZONES

LIANG XIANG ON SHENZHEN'S ACHIEVEMENTS

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 13 Dec 85 p 3

[Text] The Shenzhen Special Economic Zone [SEZ] has been established for over 5 years now. How is it faring? What are its prospects for development? These questions, which interest everybody in the nation, were answered in a status report by Liang Xiang [2733 4889], secretary of the Shenzhen Municipal CPC Committee, to a general meeting of cadres from departments directly under the CPC Central Committee.

Liang Xiang said that since there was no precedent of a socialist nation establishing special economic zones, Shenzhen had to grope its way forward, based on the CPC Central Committee's intent and demands. Over the past 5 years, the municipality was preoccupied with laying a solid foundation. Its achievements are mainly in the following four areas:

Establishing a relatively attractive investment environment. Shenzhen was originally a small desolate border town, with a very backward infrastructure, especially in energy, telecommunications and transportation. Today we have built or expanded 80 urban roads and established three industrial districts at Shekou, Shangbu and Bagualing, which have begun to take shape; the construction of four others, including Shahe, is in full swing. We have also completed a host of projects in education, tourism, commercial services and municipal administration. The Shajiao Thermal Power Plant was built with foreign capital. The rudiments of a sea and land communication network are in place, consisting of a heliport and four wharves. Already in operation are 11,000 program-controlled telephones, providing direct-dial access to Hong Kong and a dozen cities on the mainland.

Capital projects in the past few years represented $6 billion yuan in investment and provided new footage totalling 8.08 million square meters. They were primarily financed by foreign capital, local funds, investments by enterprises in the interior and bank loans. Direct state investments were minimal.

Importing a quantity of foreign capital and advanced technology. Businessmen and firms from 17 nations and regions have invested in Shenzhen. As of October this year, Shenzhen has concluded 4,300 agreements with overseas investors, with a total value of $3.1 billion, of which $840 million have actually been invested. The latter figure accounts for one seventh of total direct foreign investments in China. We have imported over 30,000 pieces (sets) of equipment of all kinds, of which 40 percent are relatively advanced. A number of wholly owned foreign enterprises and Chinese-foreign joint ventures have been set up and are generally doing well, their profits rate exceeding 85 percent. Over 400 products have made their way into the international marketplace.

Establishing an industry-based economy in the SEZ. There are now more than 750 industrial enterprises in the SEZ, compared to 224 in 1979, a better than 3-fold increase. Employment and total industrial output value have grown 7- and 29-fold respectively. Estimates put this year's industrial output value at 2.4 billion yuan, up 33 percent over 1984. Industry's internal structure has also undergone marked changes. Formerly dominated by processing with foreign materials and other labor-intensive operations, we now manufacture our own products and are gradually moving toward technology- and knowledge-intensive industries. More and more of our products,too, are now destined for the foreign market; from last January through September, the sale of industrial goods made in the SEZ generated 1.3 billion yuan, of which 43 percent were derived from exports. There is a tendency in the SEZ's industrial sector and product mix toward developing products which are "light, small, sophisticated and modern." In agriculture, we have put together preliminarily a production base of a respectable size for fresh produce. Agriculture is becoming commercialized, specialized and intensive. Substantial progress has also been made in commerce, foreign trade, transportation, finance, tourism, the restaurant business, culture, public health, education and so on.

The standard of living of the masses has gone up noticeably. In 1984 per capita income among peasants in the SEZ reached 1,700 yuan and over 80 percent of them have built new houses. The wages of industrial workers too have gone up. The establishment of the SEZ has checked the brain drain from Shenzhen; in fact, over 1,000 people have returned from Hong Kong and settled down in the zone.

Referring to the effects of the zone, Liang Xiang said, "Since its establishment, the SEZ has promoted the opening up of the coastal areas and begun to function as a 'window' and 'shining example,' providing some lessons for reform in the interior and turning out a batch of qualified people. It has also had a positive impact on Hong Kong and Taiwan."

Liang Xiang said, "Through our experience with the open door policy and reform, we are convinced we cannot equate that policy with susceptibility to corruption by capitalist ideas. As long as we do our work well and strengthen the party's leadership and the construction of the socialist spiritual civilization, we can transform negative factors into positive ones."

He said finally, "In every respect today, the zone has laid a good foundation. It is becoming more and more attractive to foreign investors. Shenzhen has a bright future."

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SPECIAL ECONOMIC ZONES

LIGHT INDUSTRY BOOSTS EXPORTS IN NEW 5-YEAR PLAN

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 29 Dec 85 p 3

[Article by Feng Xiao [7458 7197]: "Strong Growth in Light Industrial Exports in the 'Sixth 5-Year Plan']

[Text] During the "Sixth 5-Year Plan," Chinese light industrial exports have increased markedly, reaching a total value of $6.72 billion, up 63.4 percent over the "Fifth 5-Year Plan," Liu Yan [0491 1484], general manager of the China National Light Industrial Products Import and Export Corporation [INDUSTRY] told reporters yesterday. In 1985, the industry earned $1.3 billion in foreign exchange from export.

Under the "Sixth 5-Year Plan," the corporation devoted itself to nurturing the export commodity production points of 80 product lines, including shoes, toys, packaging, glassware, leather goods, plastic products and stainless still tableware, to ensure that export plans were fulfilled and lay a sold foundation for the construction of export commodity production bases.

General Manager Liu Yan said that systematic reforms in the corporation have begun to pay off. Its three subsidiary companies which handle import have registered with the State Industry and Commerce Administration and will go into business on 1 January 1986. They are the China National Home Appliance Import Co, China National Paper and Paper Pulp Import Co and China National Light Industrial Product Technical Service Import Co. They specialize in the import of different lines of products and the provision of post-import services. As legal persons, they follow independent accounting and have managerial autonomy.

In 1985, the corporation seized every opportunity it had and went all out to expand export. It took part in the Guanagzhou Trade Fair twice, held its own light industrial product export talks, organized joint sales missions overseas and shipped mail and phone orders promptly, thereby fulfilling its export targets. In the main, Chinese light industrial exports are destined for Hong Kong, Macao and the Third World. Over the past year, the corporation combined moves to consolidate existing markets with efforts to open up those in Japan, the U.S. and Western Europe. Our exports to Japan and the U.S. in such key categories as shoes, leather, sporting goods, office supplies and toys have all increased substantially. In 1985 we sold over $30 million worth of shoes to those two countries and $5 million worth of fabric toys to the United States.

The cost of exports dropped last year compared to 1984 and was the lowest ever in history.

12581
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STATUS OF WORKERS IN JOINT VENTURE ENTERPRISES EMPHASIZED

Beijing GONGREN RIBAO in Chinese 23 Oct 85 p 3

[Article by Beijing Jeep Plant Trade Union: "No Change In Position of Staff Members and Workers Being Masters In Their Own House in Joint Venture Enterprises"]

[Text] As the Party's policy of enlivening the domestic economy and opening the door to the outside world becomes more pervasive, some Chinese and foreign joint venture and cooperative enterprises as well as enterprises solely capitalized by foreign traders have been set up in China's special economic zones, in coastal cities and inland. They have brought new vitality to China's economic construction while occasioning numerous new problems at the same time. Whether or not staff members and workers in these enterprises remain masters in their own house has raised doubts in the minds of some.

Correct handling of this issue requires, first of all, an understanding of the nature of these kinds of enterprises. Chinese and foreign joint venture enterprises have been established under the socialist system to meet real needs in China's modernization. China has shares in them; they are under jurisdiction of China's laws; they are subject to Chinese government leaders, and are jointly run, in fact. They are a special form of economic organization among China's diversified socialist forms of economic organization. In accordance with Lenin's thesis that "State capitalism is capitalism that we are able to control and whose field of activity we are able to decide," Chinese and foreign joint venture enterprises are in the category of state capitalism and thus their character is determined by this.

Staff members and workers in joint venture enterprises must realize, first of all, that no change has taken place in their position as masters in their own country, and that they are still masters of the country and masters of the enterprise. This is determined by our socialist character. Staff members and workers in joint venture enterprises are simultaneously employees of the enterprise, and this is determined by the character of the national capitalist character of joint enterprises. However, staff members in joint venture enterprises are not commodities to be bought and sold freely as in capitalist societies. China has a series of laws to guarantee the democratic rights and the material benefits of staff members and workers.

A look at means of production relationships and distribution relationships shows joint venture enterprises to be a combination of socialist public ownership and capitalist private ownership in which the socialist economic component is frequently greater than the capitalist economic component. This proportional relationship of the means of production determines the common sharing of products by both parties. Means of production relationships and corresponding distribution relationships are the main basis for judging the character of any given economic form.

2. A look at the goals of production shows that that joint venture enterprises serve socialism under guidance of state plan. The goals of both parties to the operation of a joint venture enterprise are by no means the same. The goal of foreign traders is to make a fair profit, while China's goal is to to use the favorable conditions created as a result of the use of joint ventures to hasten the building of the nation's economy and to improve the material standard of living of the people. This production goal is completely synonymous with that of the country's state-owned enterprises.

3. Looked at in terms of development, joint venture enterprises are considerably stable; however, they do not represent by any means the fundamental direction of development of socialist enterprises. Once the period of joint operations is up and after China has bought out the foreign party's shares, the joint venture enterprise reverts to Chinese ownership in entirety, and it becomes an enterprise under socialist public ownership. China's staff members and workers have all the political rights conferred by the socialist national constitution and laws. This differs fundamentally from the political position of workers in capitalist countries.

4. Joint venture enterprises must engage in production and business activities under jurisdiction of Chinese laws in accordance with provisions of the "Joint Venture Enterprises Law." The sovereignty that China exercises is also an expression in concentrated form of the authority of the people, i.e., of every staff member and worker.

To summarize the foregoing, fundamentally speaking, no change has taken place in the position of staff members and workers employed in Chinese and foreign joint venture enterprises being masters in their own house. Therefore, staff members and workers who work in these enterprises should do their work boldly and assuredly with the bearing of masters in their own house, correctly understand and carry out the Party's open door policy and constantly explore and summarize experiences, doing a good job in the joint venture enterprises.

9432
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LABOR AND WAGES

NEED TO DEVELOP EXPORT OF LABOR CITED

Wuhan HUBEI RIBAO in Chinese 13 Oct 85 p 2

[Article by He Jinkai [0149 6855 7030]: "Development of Labor Resources Is Imperative"

[Text] Ample labor resources is a major strength of Hubei Province. A survey shows that despite the opening of a series of broad employment avenues in cities and the countryside and the placement of large numbers of the workforce during the past 2 years, the amount of surplus rural labor remains considerable at the present time. Enterprises are also universally overstaffed. Surplus labor figured at 12 percent for the province as a whole means 3 million people. Clearly, potential is great.

How can this potential be converted into wealth? One important way is to organize the export of labor.

The export of labor referred to here includes both export to foreign countries and to other counties, provinces and cities. In 1984, Zhongxiang County exported 11,000 workers and 20 million yuan flowed back into the county. The political research unit in the Hubei Provincial CPC Committee believed that this same county can now export 50,000 people annually who will send back 100 million yuan in earnings, which is equal to a net increase of 500,000 dan of cotton or 600 million jin of grain!

Statistics show that the province's export of labor to other provinces or to foreign countries totaled only a little more than 15,000 people, or only 1 percent of the province's total surplus labor. Of greatest importance at the moment in increasing exports of labor is heightened awareness and improved organizational leadership. It is necessary, first of all, to straighten out the muddled thinking that places today's export of working personnel on the same level with the "Chinese labor" of the old society. A comrade engaged in foreign aid work told the correspondent that "Chinese labor" was the product of special historical conditions. Today when Chinese go outside the country to work, first of all they have the backing of a powerful socialist motherland that is much more respected internationally. Second, personnel going abroad have all the rights they enjoy in China properly respected. Materially, their treatment is of the best, and politically the people regard them as foreign emissaries who may return to their homeland as agreed upon completion of their mission. Yet another important matter is the need to set up needed labor export service organizations responsible for organizing the export of labor, transmitting information, bettering the education and management of exported labor and helping allay the apprehensions of the families of those who depart.

A political economics teacher believes that export of labor is not only of very great economic significance, but is a social university for upgrading the quality of peasants. He said that letting the peasants get a broad view of the vast commodity economy world will help improve skills for development of a commodity economy.

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TRANSPORTATION

STATUS OF IMPROVED SHANGHAI-NANJING RAILROAD OUTLINED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 6, 28 Nov 85 pp 4-5

[Article by Xue Guibao [5641 6311 1405]: "The Shanghai-Nanjing Railway"]

[Text] The beautiful and richly endowed Chang Jiang Delta, which the Chinese government has designated an open economic zone, contains abundant resources, a dense population, extremely well developed industry and agriculture, and is the area of the country with highest economic effectiveness. On this golden tract of land run three railroads: the Tianjin-Pukou, the Nanjing-Wuxi and the Shanghai-Hangzhou lines that connect the five large cities of Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, plus a trunkline that connects the Chang Jiang with the Grand Canal. This is the 77 year old Shanghai-Nanjing Railroad that has become the busiest transportation artery in east China.

Construction of the Shanghai-Nanjing Railroad began in 1908. It is 311 kilometers long and was constructed with British funds. It was the railroad for which the squandering of funds was most serious among all of China's railroad construction projects. Despite the high construction costs, the equipment was extremely antiquated. Most of the technology used was out of date and the railroad used a welter of small locomotives, small passenger cars, small rails, and small telephones. Transportation efficiency was extremely low. It lost money every year in the 41 years of its operation. Right up until the eve of liberation, it was in the peculiar situation of deriving more income from hauling passengers than from freight. Following liberation, as the People's Government revived transportation and improved efficiency, it steadily increased investment in railroads and carried out a planned technical transformation that very greatly improved the locomotives, railroad cars, stations, tracks, and signaling equipment on the Shanghai-Nanjing line. The former ramshackle equipment was largely replaced with new equipment of superior quality and high efficiency that cost less to operate. Today, the amount of passenger and freight traffic handled by the Shanghai-Nanjing Railroad is six times that of the old Shanghai-Nanjing Railroad (1949).

Powered With Diesel Locomotives

Locomotives provide the power for railroad transportation, and they are the crux in improvement of transportation efficiency. Up until liberation, locomotives used on the Shanghai-Nanjing Railroad were mostly SL, PX, and MK models of small steam locomotives of low horsepower and low pulling power. Furthermore, all these locomotives had been bought abroad, so it was difficult to get spare parts for them and frequently half of them were "laid up." Tonnage pulled per locomotive was very low at that time, only 1,740 tons being hauled. The main criterion for judging locomotive efficiency is locomotive output per day. At that time, this was only 85,000 ton kilometers for the Shanghai-Nanjing Railroad. Locomotive maintenance and repair equipment was also very antiquated. When it was built in 1907, the Longtou roundhouse in Nanjing at the northern end of the Shanghai-Nanjing Railroad had only one temporary locomotive repair shed. It was not until 1935 that a chassis repair shop was built for the repair of passenger cars as well as locomotives. Today the Nanjing East diesel maintenance section replaces the Longtou roundhouse in Nanjing. This maintenance section is huge. It occupies 400 mu of land and is 1.8 kilometers long, the line totaling 1,868 meters. It has three buildings for chassis repairs, wheel repairs and all other work, these buildings covering a 19,372 square meter area. Because the Nanjing East maintenance section has advanced equipment and much skilled labor, its repair efficiency is very high. Take 1983, for example, when it repaired 25 locomotive chassis and 269 locomotive wheels. This section has a large number of Chinese produced Dongfeng diesel locomotives and Romanian made ND 2 diesel locomotives. In September 1985, it will begin to use China's first imports of American produced ND 5 high performance diesels to replace existing diesels. Today all passenger locomotives on the Shanghai-Nanjing Railroad are diesels, and half the freight locomotives are diesels. After the transition from steam to diesel locomotives, locomotive freight tonnage hauled on the Shanghai-Nanjing Railroad rose from the 1,740 tons before liberation to 3,500 tons, and output per day rose from 85,000 ton kilometers per locomotive to 1,119,000 ton kilometers. Cars have also been replaced.

Expansion and New Construction of Railroad Stations

The Shanghai-Nanjing Railroad has always been extremely busy with the hauling of passengers. Take the Shanghai station, for example, which dispatched 30,000 passengers daily during the 1960's, During the 1970's, the number increased to more than 50,000, and during the 1980's, it spurted to between 80,000 and 90,000, with a maximum of 140,000 per day. During the lunar New Year and during the peak travel season, Suzhou Station handles more than 56,000 passengers. Ordinarily the number is also 30,000 to 40,000 per day.

The railroad stations at Shanghai and Suzhou were built in 1906, however. They are cramped and old, and a long way from being able to meet increasingly busy transportation needs. Despite constant improvements since liberation, congestion remains in the purchase of tickets and waiting for trains. In order to deal with this problem, in 1981 the State Council formally approved the building of a new Shanghai passenger station. The new Shanghai station will be an elevated structure that spans the station tracks. Above the station platform will be 16 waiting rooms that total 13,000 square meters in area. The new passenger station will have a total of 17 sidings and seven station platforms; it will have a design capacity for 72 arriving and departing trains daily and a maximum gathering of 10,000 people. After the new Shanghai station has been built, it will become the country's first elevated railroad station that spans the tracks, and it will also be the largest passenger station on the Shanghai-Nanjing Railroad.

In 1982, a new railroad station was built in Suzhou, which is rich in local character. The new station has the air of classical structures. Its roof has upturned eaves and is covered with tea green tiles, which make it fit in harmoniously with Suzhou City. The inside of the Suzhou station has landscapes, pools with rockery and winding courtyards. It deserves to be called a "garden window" on the Shanghai-Nanjing line.

Lengthening of Railroad Line Track

Rail lines are the foundation on which trains travel. Up until liberation, the Shanghai-Nanjing Railroad was a single track line and the line's equipment was not in good shape. On many sections, the road bed was not wide enough and ballast was insufficient everywhere. Sleepers were badly rotted. The biggest problem was the tracks, all of which were light rails of a variety of makes and as many as 53 models. The rails were also very seriously worn, and there were neither filler plates nor anti-creepers anywhere under the tracks. Because of the poor quality of the line and its many faults, train speeds were limited. Maximum train speed was no more than 75 kilometers per hour.

After liberation, the first task was major overhaul of the line, sifting and hardening of road beds, filling in places lacking ballast with stones, replacement of completely defective sleepers, and installation of track filler plates and anti-creepers. Next, most wooden sleepers were replaced with steel-reinforced concrete sleepers and concrete slab sleepers. Small, joined together, hand operated switches were replaced with large manganese steel automatic switches, which increased the line's smoothness. During the 1960's, the Shanghai-Nanjing Railroad got rid of its light mixed makes of rails replacing them with heavy steel rails weighing 50 kilograms per meter. In 1969, the Shanghai-Nanjing Railroad began to use the new technology of welding together tracks in long sections, welding short 12.5 meter long sections of track into long track sections approximately 1,000 meters long to develop the Shanghai-Nanjing Railroad in the direction of becoming a seamless line. Not only did this reduce wear and tear on cars and increase train speeds, but it also greatly reduced noise inside passenger cars for an improvement of conditions for passengers. Now the Shanghai-Nanjing Railroad's main line is 618 kilometers long, 361 kilometers or 58 percent of which is seamless. In 1978 double tracking of the Shanghai-Nanjing Railroad was completed. This transformed the Shanghai-Nanjing trunkline from the pre-liberation single line to a completely doubletracked line, and virtually all of the line consisted of long tracks. Effective length of train station sidings was extended from the 650 meters prior to liberation to the present 1,050 meters. Rise in quality of the line increased train carrying capacity. Before liberation, 27 trains per day traveled the line. Today, 162 trains travel the line in both directions, and the permissible train speed has also increased from 75 kilometers per hour to 120 kilometers per hour.

Signals are the ears and eyes of railroad communications. Before liberation and during the early 1950's, communications and the number of signals on the Shanghai-Nanjing Railroad were in a backward state. Most stations used hand operated semaphore signals, and at night it was necessary to climb up the signaling machines and hang a lantern on them. Either signs along the track or train staff were used to block trains. Most line switches used mechanical junction boxes for signal junctions, and some stations even used hand signals to guide the coupling of cars. Train safety was uncertain and train speeds were also limited. In the mid-1960's, semaphore signaling machines began to be replaced with colored light signaling machines, and electric relay semi-automatic blocking eliminated the mechanical junction boxes. Today, modern automatic blocking has been installed all along the Shanghai-Nanjing Railroad and all signaling machine displays are automatically controlled by electrical equipment. Not only does this insure operating safety, but it also increase one or two fold the number of trains able to travel between one area and another.

Automation of Communications Equipment

During the period immediately following liberation, communications equipment along the Shanghai-Nanjing Railroad was extremely outdated. Old magnetic telephones were used, and they were frightfully few in number. There was only a three-channel carrier between Shanghai and Nanjing, and there was no direct line between Nanjing and Beijing. During the 1960's, common-battery telephones were installed at all major stations along the line. The number of telephones in the section between Nanjing and Changzhou alone numbered 800, which was a fourfold increase over the number during the period immediately following liberation. There was a 12 channel carrier between Shanghai and Nanjing, and a long distance carrier telephone was opened between Nanjing and Beijing. Between Nanjing and Zhenjiang is a short-range carrier telephone. To meet the situation resulting from the opening to railroad traffic of the Chang Jiang bridge at Nanjing and from the Nanjing East classification station, in 1968 Nanjing Prefecture put into operation a 1,000 line automatic telephone exchange thereby completely automating telephones in the Nanjing hub. With the development of semiconductor technology, large scale use was also made of 12 channel semiconductors and three-channel carriers for long-distance communications on the Shanghai-Nanjing line. Opening of carrier return lines reached the apex of power line design, and automatic dialing could be done between Shanghai and Nanjing. With completion of the doubletracking of the Shanghai-Nanjing Railroad during the 1980's and the laying of small co-axial cable, communications improved greatly again. In Nanjing Prefecture alone, the number of telephones increased to 2,200, or an average of 1 telephone per 15 people, and automatic dialing was installed between Nanjing and Changzhou, Danyang, Zhenjiang and Longtan as well as between Shanghai and Suzhou, Wuxi and Nanxiang. A new communications hub for east China railroads with a 3,000 line automatic exchange is being built in Nanjing Prefecture. A 1,000 line automatic telephone exchange is being constructed for the Nanjing East classification station, and a 300 channel small co-axial cable improvement project between Shanghai and Nanjing is underway. The Shanghai-Nanjing

Railroad is in process of building a communications network with many circuits, many channels, and many techniques that is transistorized, miniaturized and automated.

Doubletracking of the Shanghai-Nanjing Railroad and the opening of the Chang Jiang Bridge at Nanjing to railroad traffic laid the foundation for development of both passenger and freight transportation. Before liberation, passenger trains could travel only on the Shanghai-Nanjing line itself; they could not cross over to other lines. Long distance passengers had to repurchase tickets and reboard other trains at either Nanjing or Shanghai. Today trains starting out in Shanghai can go all the way to Guangzhou, Qiqihaer or Wulumuqi.

In the more than 30 years since liberation, the Shanghai Railroad Bureau has not stinted on technical improvements to the Shanghai-Nanjing Railroad. It has used every available means to tap the line's potential to the full, thereby increasing many times over the passenger and freight carried by the Shanghai-Nanjing Railroad. The number of passengers has increased by 4 percent per year; the amount of freight carried has increased by 6.5 percent per year; and earnings from transportation have increased 12.4 percent per year. Today the Shanghai-Nanjing Railroad has become a major trunk line in the national railway network with advanced equipment and remarkable economic effectiveness.

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TRANSPORTATION

BACKGROUND PROVIDED ON BEIJING-TAIYUAN RAILWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 85 pp 6-7

[Article by Liu Tongwei [0491 4827 3956]: "The Opening of a Coal Hauling Route in the Early 1970's---the Beijing-Taiyuan Railway"]

[Text] During the early 1970's, a railroad trunk line was built to connect the capital directly with Shanxi Province. This trunk line began at the Shijingshan south station at the Beijing hub and traversed Lianggezhuang, Baijian, Zijingguan, and Futugu. It crossed the Wutai mountain region and went through Pingxingguan, Yanmenguan, and Zaolin connecting with the line running from Datong to Fengling Ferry at the Yuanping station in northern Shanxi. This line was dubbed the Beijing-Taiyuan Railroad. During the past 10 years and more, this railroad has played a very important role in the hauling of coal out of Shanxi Province, to become a major coal hauling route.

Opening of Additional Coal Hauling Routes

As early as the 1950's, the state placed the exploitation of Shanxi's natural resources on its important daily agenda for development of the national economy. Shanxi has various underground resources including coal, iron, copper and bauxite. Coal reserves, in particular, amount to one third of the country's total, and more than two-thirds of the counties in the province have coal fields. Furthermore, coal is of all kinds and quality is outstanding. It has superior quality coal for power and it has coking coal. In northeast Shanxi, along the line running northward from Datong to Fengling Ferry, there are numerous open pit coal mines in which mining conditions are good, reserves large, and costs low. Annual output reaches several million tons most of which has to be hauled elsewhere.

During the period immediately following liberation, except for the Datong to Fengling Railroad and the Shijiazhuang to Taiyuan Railroad in the south, there was only the Beijing to Baotou Railroad in the north as routes for hauling coal out of Shanxi Province. Capacity for hauling coal was extremely inadequate. After the Fengtai-Shahe line had been built, capacity was still inadequate to meet needs. For this reason, the decision was made to build the Beijing to Taiyuan Railroad to add a route for hauling coal.

In addition to hauling coal, the Beijing-Taiyuan Railroad also plays an important role in the exploitation and transportation of local natural resources. The line meanders through the Wutai mountain region and the Taihang range, paralleling or cutting across the Hutuo He, the Tang He, the Juma He, the Dashi He, and the Yongding He. Products are abundant along the line, and underground resources are in process of being exploited. One example is the iron mine in the Wutai mountain region where mining began during the end of the 1950's with several hundred thousand tons being carried away annually. Some of the deposits of copper, bauxite, manganese, and clay have been exploited, and preparations are underway to exploit others. More than 20 feeder railroad lines have been built in this area.

Farm and livestock products are also very abundant in the more than 10 counties through which this line passes. Farm products include millet, corn, potatoes, soybeans and gaoliang. In the Wutai mountain region, one crop per year of naked barley, flax and sugarbeets are harvested, the quality of which is good and the output of which is high. In the animal husbandry field, both the Wutai mountain region and the Taihang mountain region have fine natural pasturelands where the raising of cattle, sheep and goats, horses, donkeys and mules is extremely well developed. Some of the beef and mutton eaten in the Beijing-Tianjin-Tangshan area is supply from here.

Relatively High Standard Mountain Region Railroad

Standards were generally not high for mountain region railroads built right after liberation. Most were second or third rate railroads, and some were built like branch lines. Because it was part of a network and also because it had a big job to do, the Beijing-Taiyuan Railroad was built to relatively high technical standards. It was built as a single track first rate trunk line. Grade was limited to .06 percent (a .12 percent grade in western Pingxingguan). Minimum curve radius was 600 meters; and effective length of the daofa [0451 4099] line was 650 meters; allowance [yuliu - 7315 3966]; at the time of tunnel construction, overhead clearance was allowed for future electrification of the line. "East is Red" diesel locomotives were used to pull trains. Initial transportation capacity was set at 5 million tons, with 10 million tons intended over the long range.

Along the Beijing-Taiyuan railroad line, mountains are high and valleys deep; streams contain rapids; mountains are craggy, rock cracking is well developed, and the geological structure is complex being made up of limestone, gneiss, granite and schist, for the most part, with some new and old loessal soil, sand clay and alluvial pebble layers. Engineering is extremely daunting. Earthquake fissuring is between 6 and 8 degrees, and this has substantial effect on the structure of projects and handling of road beds. The western section of the line parallels the Hutuo He, and in the eastern section, it crosses the Juma He at 10 places at large faults at Dayaobo, Wangjiagou, Gushan, Yuncailing, Zhaobo, Futugu, Zijingguan, Erdao He and Babao Shan. An especially large bridge is located atop the Yongding He fault. The tunnel at Xishankou goes through a coal vein, and beneath the large bridge at Lianggezhuang is a karst cave. Beneath the tunnels at Pingxingguan and Duomaling is a heavy rush of water. All these things increased the complexity of the project.

The Beijing-Taiyuan Railroad is 418 kilometers long. It has 41 stations, 12 tunnels and 216 bridges. Bridges and tunnels have a combined length of 105 kilometers, or one-fourth the length of the entire line. Nearly 30 million cubic meters of material were moved to build the road bed. Work began in October 1958, and by October 1960 the first 60 kilometer section of the line between Yuanping and Zaolin had been built. Construction was temporarily halted at that time due to a general retrenchment of capital construction. Construction recommenced in 1965, first on the eastern end and then in the west, section by section. By October 1971, the entire line was opened to traffic. At the end of 1972, the line was turned over for operation.

Daunting Tunnel Projects

The Beijing-Taiyuan Railroad is noted for its numerous and long tunnels. The 120 tunnels along the line total 87 kilometers in length. There is an average of one tunnel every 3.48 kilometers, and there are 26 tunnels that are more than 1 kilometer long. At the border between Hebei and Shanxi provinces, the railroad has to go through the Duoma mountain range at 1,600 meters above sea level. The longest tunnel on the line is located here---the Duomaling Tunnel that is 7,032 meters long and at a maximum depth of 500 meters.The tunnel goes through through Ordovician limestone strata where there is a fault fracture zone and an ancient river bed containing intercalated sandstone pebble illuvial stratum. It goes through a more than 30 meter deep fault vein and more than 20 karst caves. Maximum ground water flow reaches 6 tons per day and night. There were more than 60 landslides during construction.

The Duomaling Tunnel is one of the major control projects on the whole line. The troop units responsible for construction of the railroad used the technique of "dividing long tunnels into short sections." They excavated numerous short caves using more than 60 construction machines that worked to make parallel excavations ahead that increased the work face. They used high speed excavation to speed up construction progress, required only 24 months to complete the main tunnel project.

The Beijing-Taiyuan Railroad goes through many mountain passes such as Dongyusi, Baijian , Zijingguan, Wang'anzhen, Pingxingguan, and Yanmenguan. There are very many tunnels that follow one after another in some stretches. In only a 1.1 kilometer stretch between Baijian Bridge and Juma He Bridge, for example, there are four tunnels totaling 469 meters in length that are known as the Baijian tunnel group. The terrain is precipitous along this section of the line making construction extremely difficult. The construction units used the technique of "digging a group of tunnels together." First they assembled troops for simultaneous opening of two tunnels followed by the opening of another two tunnels for fastest progress in construction. It took them only 8 months to complete the boring of this group of tunnels.

Mechanized Laying of Rows of Tracks

Track laying is an important procedure in railroad construction. The former method of laying track had generally been to have human labor arrange sleepers on the road bed followed by the placement, one by one on the sleepers, of steel sleepers and spiking them down. This was slow; efficiency was low; labor was highly intensive and it was difficult to assure quality.

In modern railroad construction, track laying operations have been mechanized. This means the operation of track assembly yards at specific points along the line. In these yards, row after row of tracks are arranged in fixed positions in accordance with set technical specifications to form long ladder-like structures, one after another. This method is termed "track assembly production." When the tracks are laid, the assembled tracks are loaded to a track layer and transported to places along the line where they are unloaded on the road bed. This greatly increases efficiency and quality and hastens track laying.

Track assembly production on the Beijing-Taiyuan line is centralized at the assembly yards at Shijingshan south station, at Baijian, and at Wutai. Production of track assemblies involves anchoring, spacing of sleepers, matching of tracks, putting on attaching hardware, tightening bolts, inspection and loading on to railroad cars. It is done as an assembly line operation. After the tracks have been assembled, they are stacked up in piles in the yards from which they may be transported to be laid along the line at any time. Each track assembly yard can manufacture between 48 and 60 track assemblies daily, sufficient to the laying of between 1.2 and 1.3 kilometers of railroad line.

The Alluring Scenery Along the Line

The Beijing-Taiyuan Railroad goes through the Taihang Shan and Wutai Shan mountain regions and the southern foothills of the Heng Shan. Mountains and rivers crisscross the line; the topography is difficult of access; the scenery is singular, and there are numerous famous historical sites that are rather alluring. A train passing through Shijingshan south station and going to Shidu Station passes through a scenic area. Here verdant peaks rise one after another and streams flow along slowly. This area is noted for having the Guilin scenery of north China. The train travels westward to Zijingguan, which is a famous historical site. Here the sheer cliffs stand like walls, and this is the area of the seventh trail of the "Taihang Eight Trails." In mid-summer, it is possible to see Chinese redbud all over the mountainland and to enjoy magnificent and beautiful view of the Great Wall. Farther westward at Laiyuan, one can see Chanlin Temple built during the Liao Dynasty. Continuing onward to Pingxingguan, one comes to to a site where large numbers of Japanese troops were annihilated during the Pingxingguan campaign during the early period of the War of Resistance to Japan. Here there are range after range of mountain peaks, deep valleys with streams, dark green pine and cedar trees, and the battlefield of a former day has become a tourist site. In addition, here in Dai County stands the Yang family memorial temple to the five generals of the Yang family of the Northern Song Dynasty and Yanmenguan, which is "the most strategic point." The construction and the statues in Huiji Temple in Yuanping County have the flavor of the Song Dynasty. All these places are ancient historical sites.

It is Wutai Shan, however, that is the most noted tourist area along the Beijing-Taiyuan Railroad. Wutai Shan is located in the southeastern part of

Fanshi County, and it is one of the four most famous Buddhist mountains in China. The view from atop the mountain is magnificent and beautiful; the climate is cool and crisp making it a good summer vacation spot. The mountain is thick with temples, many of them concentrated in Taihuai Village. During the historical period when temples were most numerous, there were more than 200 of them here. Today more than 40 survive. The buildings are magnificent; the carvings are exquisite, and painted statues are found in every temple. The Sheli great white dagoba, Xiantong Temple, Shuxiang Temple, Boddhisatva Mountaintop, Jinge Temple, Nanshan Temple, and Zhenhai Temple are all famous temples here. Xiangtong Temple is the largest of all of them. Inside the temple is a copper hall that contains 10,000 small Buddhist castings and characters made from flowers and plants, the modeling of which is exquisite and which are unique and beautiful.

Once trains began to run over the Beijing-Taiyuan line in 1972, not only did they provide a convenience for travelers, but they also promoted development along the line. The volume of transportation has grown steadily, cargo transported amounting to more than 5 million tons annually, which is already larger than the originally designed capacity. More than 1 million passengers also travel this line, making trains fairly crowded.

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TRANSPORTATION

BEIJING-TONGLIAO RAILROAD EVALUATED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 4, 28 Jul 85 pp 8-9

[Article by Chen Yuanmou [7115 6678 6180]: "The Second Transportation Trunkline to Connect Places Inside and Outside the Great Wall---the Beijing-Tongliao Railroad"]

[Text] Five years have passed since the Beijing-Tongliao Railroad was built and turned over for operations. But whenever this railroad is mentioned, some people seem unfamiliar with it. This is a railroad that starts out in Beijing, parallels the Beijing-Shenyang Railroad, and crosses the newly built industrial cities of Zhelimu League in the Nei Monggol Autonomous Region ending at Tongliao. It is the the second transportation trunkline to connect places inside and outside the Great Wall.

The Beijing-Tongliao Railroad starts at Changping in suburban Beijing, goes through Luanping, Longhua, and Weichang counties in Hebei Province, goes through Chifeng in Zhaowuda League and Naiman in Zhelimu League in the Nei Monggol Autonomous Region and on to Tongliao for a distance totaling 805.77 kilometers. Work began all along this line in August 1972, and by 4 December 1977 all track had been connected and the line opened to traffic. On 1 May 1980, construction of associated facilities was completed and the line was turned over for operation. The division of freight between this line and the Beijing-Shenyang Railroad has greatly eased congestion on the old transportation line.

A Daunting Engineering Project That Goes Through Yan Shan and Across Sand Dunes

The western section of the Beijing-Tongliao Railroad snakes through the southern foothills of Yan Shan. The 171 kilometer section that runs from Heishui Shan to Longhua traverses the Yanshan hinterland where the topography is precipitous, is crisscrossed with ravines, and where faults interlock making the geology complex and requiring a succession of bridges and tunnels. The project was an extremely arduous one. To the east of Chifeng the terrain is flat; however, the railroad line traverses shifting sand dunes so projects to ward off and stabilize the sand were numerous. The road bed for the entire line required a total of 66.72 million cubic meters of earth and stone. The line has 116 tunnels totaling 77.97 kilometers in length. This includes a total of 11 tunnels, each more than 2 kilometers long for a total length of 31.92 kilometers. The Red Flag Tunnel that goes through the watershed between the Luan He and the Yisun He is 5,848 meters long, the longest tunnel on the whole line. Troops were assembled for the construction, which took 23 months, the construction proceeding at an average total of 254.3 meters per month from both ends of the tunnel. A swarm of tunnels was built at the Gubeikou, Hushiha and Miaogong sections. In the 10 kilometers between Hushikou and Gangzi, there are 16 tunnels with a total length of 3,860 meters. At places where the railroad crosses the Chaobai He, the Luan He and the Daliao He water systems, 450 bridges totaling 44.75 kilometers in length were built. This included 14 especially large bridges 500 meters or more long totaling 10.74 kilometers in length. The 1,447 meter especially long Laoha He Bridge is the largest bridge in northeast China today. The Baihe Bridge at the entrance to the Miyun Reservoir is 402 meters long and is the most complex steel truss bridge with a deep water foundation on the whole line. During construction, the water was 24 meters deep, and the open caisson steel bridge piers were sunk 22 meters into the river bed. The whole bridge contains 22,000 cubic meters of masonry and 385 meters of steel trussing weighing 1,987 tons. In the area around Shelihu in Naiman Banner on the southern fringe of the Keerqin Desert is located the country's third largest shifting sand dunes. Tall and low sand dunes undulate across the landscape. In each windy season, when the wind howls, the sands shift destroying structures on the surface of the land. The railroad has to go through 30 kilometers of shifting sand dunes and 130 kilometers of shifting sandy flatlands. To bring the yellow sand under control and prevent sand damage to the line, large shelter projects were built. The most important such projects were the laying of 200,000 cubic meters of crushed stone, the spreading of 20 million jin of tree boughs to stop the sand, and the afforestation of more than 24,600 mu to stabilize the sand. Now trees stand in profusion on both sides of the railroad like a green Great Wall in the middle of a boundless sea of sand. They effectively lock out the creeping sand and protect the line, keeping it open and free from obstacles.

Through the Great Wall and Across The Hunting Grounds With Magnificent Scenery

As the Beijing-Tongliao Railroad meanders around inside and outside the Great Wall, it passes through majestically serene scenery and numerous famous historical sites. The railroad goes from Changping Station northeastward past the Ming Tombs Reservoir Dam and the north shore of Miyun Reservoir and flies across 15 large bridges for a stretch of more than 30 kilometers. Passengers aboard the train can enjoy to the full the beautiful lake-like appearance of the reservoirs. From the Gubeikou railroad station at the Great Wall, they can look westward from the station platform where they will see only a series of peaks, each one rising higher than the other and the magnificent Great Wall meandering and twisting across craggy mountain ranges. Gubeikou is the major route for going from Beijing to the area beyond the Great Wall, and it has historically been a strategic military pass. At the passage through the Great Wall, there are three or four roads leading inside and outside the wall and towers rise up around to guard the area. The imposing view surpasses the views at Juyongguan and Badaling. The railroad heads from Jinshanling at the foot of the Great Wall to the ancient city of Longhua outside beyond the Great Wall. Here beneath Taishan lies the cemetery of the honored martyr, Dong Cunrui. This is the place where the famed combat hero Dong Cunrui courageously sacrificed his life in the cause of the Liberation Army on 25 May 1948 to blow up a pillbox in the liberation of Longhua. In Weichang County, the railroad crosses the Mulan Hunting Ground where the Qing Dynasty emperors conducted military and political activities "practicing military arts to pacify distant places." Historical records show that in 1681, to maintain the riding and shooting traditions of the Manchu and Mongol forces and to solidify the unity of multiple nationalities, the Kangxi emperor personally led a group of Manchu and Mongolian cavalry troops on a reconnaissance of the landscape beyond the Great Wall where they discovered a valley set below high mountains with dense forests, which was a haunt of wild animals. It was an extremely fine natural hunting ground, which was given the name Mulan Hunting Grounds (in Manchu, mulan means places for sighting deer). For more than 140 years beginning from the 25th year of the Kangxi reign, the Qing emperors regularly traveled to the north to conduct their "annual autumn hunting ceremony." Today on both slopes along the railroad at Yisun Pass stand a stele with characters in the handwriting of the Qianlong emperor that reads, "Matters to be attended to at Yaokou," and a stele in Chinese characters in the hand of the Jiaqing emperor that reads "Account of Mulan." In a pine forest tract near the Miaogong Railroad Station stands a serene ancient Donggong temple. The splendid landscape and the hunting ground with its numerous historical sites attracts both Chinese and foreign sightseers.

Promotion of the Unity of Nationalities and Economic Development

Between the origin of the Beijing-Tongliao Railroad and its intersection with the Beijing-Baotou Railroad, it crosses the Chengde-Longhua and the Chifeng-Boshou branch lines, which are interlinked with the Beijing-Chengde and the Jinzhou-Chengde railroads. At its terminus, it connects with the Hushan-Jiatun Railroad and the Tongliao-Linhe Railroad to become an important integral part of the north China and northeast China regional railroad network.

Construction of this railroad line opened a railroad transportation route running directly from Hohhot in the Nei Monggol Autonomous Region to Hailaer in Hulunbeier League. The direct connection between the capital of the autonomous region with the three eastern leagues made closer the friendly intercourse among the various nationalities throughout the region, and increased unity among the nationalities. In addition, it played an active role in promoting economic development in mountain regions, sandy wastes, cities and villages along the railroad line.

Because of poor transportation in Luanping County deep in the Yan Shan, it had formerly been impossible to develop and use the mountain region's natural resources and native products. After the opening of the Beijing-Tongliao Railroad, large scale exploitation began of the county's 5 million tons of quartz reserves, large quantities of the rock being shipped by rail to Beijing and exported abroad. The mountain region is covered with rocks and sand, which were also hauled by rail to Beijing and Tianjin for use as construction materials. Even the stalks of hybrid gaoliang, which had formerly been used as fuel, were also hauled by the tons to places such as Qinhuangdao to be used as raw materials for making paper. The cash income of the masses increased correspondingly. The people said happily, "There are treasures everywhere in the mountains, but if they cannot be transported out, they are like trash."

Before liberation, there was a popular saying in Naiman Banner in Zhelimu League that went, "When the yellow dragons of sand churn and the sand dunes moves, walking along with a load on one's back is like carrying lead, but a single measure of grain carried over a great distance can be exchanged for only one-tenth as much salt. Nine out of every 10 people who leave never return." Following liberation, a 166 kilometer long highway was built to Tongliao. This made it easier to travel; however, the highway was frequently blocked by shifting sand dunes making movement impossible. The Beijing-Tongliao Railroad runs 123 kilometers through 12 villages and small towns throughout the banner. During the past several years, the Banner CPC Committee has built a total of nine roads leading to the railroad trunk line that pass through 29 villages and small towns in the banner, so vehicles can move a distance of more than 630 kilometers. Today, the fine wool that is produced in Naiman from superior breed Aohan sheep, and the famed red oxen, large red-tailed carp, Chinese ephedra [Ephedra sinica], and sand for making glass, that are special products of the region, are carried by railroad everywhere in the motherland, and some are even sold in distant foreign markets.

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NORTH XINJIANG RAILROAD CONSTRUCTION UNDERWAY

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 6, 28 Nov 85 pp 6-7

[Article by Wang Mingkui [3769 2494 1145]: "An Important Trunkline Serving the Northwestern Part of the Country---The North Xinjiang Railroad"]

[Text] The lofty Tian Shan range runs uninterruptedly from east to west across the middle of the Xinjiang-Weiwuer Autonomous Region dividing it north and south. Now an important trunkline that is continuous with the Lanzhou-Wulumuqi Railroad, the North Xinjiang Railroad, is under construction running westward along the foothills of the Tian Shan, across the southern fringe of the Dzungarian Basin and on to Ala Pass. This railroad is of major significance in connecting Xinjiang with inland China and in hastening the building of northern Xinjiang, as well as in developing foreign trade and strengthening national defense.

Extension of the Lanzhou-Wulumuqi Railroad

The North Xinjiang Railroad is an integral part of the Lanzhou-Wulumuqi Railroad.

Back in October 1954, the governments of China and the USSR issued a joint communique on the building of a railroad running from Lanzhou to Wulumuqi to Alma-Atinskaya, which provided that the Lanzhou-Wulumuqi line would connect with international trunk lines in the USSR. After construction of the line, it would connect in the east with the Long-Hai Railroad to form a major artery stretching east and west from one end of the country to the other as another major international trunkline.

Surveying and design work was completed in 1958 for the line running from Wulumuqi to the national frontier, i.e., the North Xinjiang Railroad, and work got underway. In May 1961, construction was halted for cause. Approximately 70 percent of the road bed earth and stone, plus basic abutments for bridges and culverts on the entire project had been completed. The direction followed by the North Xinjiang Railroad now is substantially the same as that of the original design; thus, it is a continuation of construction. The North Xinjiang Railroad begins at West Station in Wulumuqi and goes through Changji, Hutubi, Manasi, Shihezi, Shawan, Wusu, Jinghe and Bole to Ala Pass on China's western frontier for a distance of 470 kilometers. The line connects with the

Dukou Highway, which crosses the Tian Shan to connect northern and southern Xinjiang Province. It intersects the highway that parallels the oil pipeline running from Kalamai to Wulumuqi, and it parallels the highway running between Wulumuqi and Yili, making it a main line in the Xinjiang transportation network.

The Wulumuqi to Wusu section, which is the first phase of construction, is approximately 240 kilometers long. Terrain along this section is flat, most of it being earth strewn with rocks and pebbles. The original design standards call for a first class line of single track with a .006 grade limit, a maximum curve radius of 800 meters, diesel locomotives, electric relay semi-automatic blocking and the construction of one section station and 20 intermediate stations. The near term total volume shipped and received is approximately 7 million tons, 64.9 percent of which is to be incoming and 35.1 percent of which is to be outgoing.

The First Joint Venture Trunkline

In recent years, most of the railroads built by the region have been branch lines or connecting lines. The North Xinjiang Railroad, however, is the first network trunk line built as a joint national and regional venture.

Funds required for the section of the North Xinjiang line between Wulumuqi and Wusu were provided jointly by the Ministry of Railways and the Xinjiang Autonomous Region, and both parties jointly established the North Xinjiang Railroad Company to be responsible for carrying out construction. Following construction, the railroad is to be run independently by this company; special transportation rates are to be applied, and profits are to be used to repay capital plus interest. This company will also be responsible for the building and operation of the entire North Xinjiang Railroad.

Reform of the closed management system of single party construction and operation of the road and the institution of joint venture construction and operation has stirred the region's enthusiasm. The Xinjiang Production and Construction Corps and the 36117 unit of the Wulumuqi Military Region are doing the construction work on this railroad project; consequently construction proceeds more rapidly. Work on the section between Wulumuqi and Wusu formally began on 1 May 1985. Plans call for tracks to be laid as far as Wusu in 1987 and the line to be handed over for operation in 1988.

Pearls Along the Old Silk Road

The general orientation of the Xinjiang Railroad is along the northern route of the old silk road of 2,000 years ago, which has become a major industrial base today for Xinjiang industry and agriculture. Along the line, numerous newly built cities and towns extend like a string of shiny pearls glinting brightly.

Wulumuqi, the starting point for the North Xinjiang Railroad, is the capital of the autonomous region. More than 2,000 years ago, this area was a pastureland with plenty of water and lush grass. Subsequently, it became a major town on the silk road. During the reign of Xuandi [B.C. 73-48] in the

Han Dynasty, Wulumuqi was a "territory under the rule of Houwang of the state of Cheshi." During the Tang Dynasty, the "northern territory" was established in the eastern part of Wulumuqi. In 1765 (the 30th year of the reign of Emperor Qianlong of the Qing Dynasty), the city walls began to be built. At the time of the founding of New China, the city had a population of fewer than 80,000; the area of the city was very small, and it was economically and culturally backward. Today the population numbers more than 800,000 and the city has an area of more than 40 square kilometers. It has become the political, economic, cultural, and communications center of the autonomous region and a new city on the northwestern frontier of the motherland.

Before liberation Shihezi was still a small village of only 20-odd households beside which lay a dry river bed strewn with broken stones, hence the name Shihezi [or river of stones]. Following liberation, thanks to the arduous struggle of military reclamation soldiers, one storeyed building after another and one industrial plant after another rose on the barren land. Today the new city of Shihezi has a population of 130,000 and an area of 17 square kilometers. It has become an important base for Xinjiang's light and textile industries. Here the streets are clean, green trees form a canopy, the air is clear and the environment is delightful, thrilling the heart and pleasing the eye.

Ala Pass at the terminus of the Xinjiang Railroad is located in Bole County in the Boerdala Monggol Autonomous Zhou all around which is open ground. On both sides of the mountain pass here lies the vast Gobi and grasslands. After the North Xinjiang Railroad is built, this area will become an important entrance way into northwestern China.

The USSR calls Ala Pass the Dzungarian Pass. According to the April 1956 joint conference communique issued by the leaders of the two countries, this was to be the point of connection between the railroads of the two countries. During July of that same year, a railroad delegation from both China and the USSR signed an accord further proposing that the line go to the south shore of Aibi Hu where a rail connection point would be designated. The design prepared at that time called for the establishment of separate transshipment stations at Eheerlili (meaning friendship in Mongolian) in Chinese territory and at Druzhba (meaning friendship in Russian) in the USSR. By August 1958, the USSR had constructed a railroad to the frontier. When one states on an observation platform at a sentry point on the border near Ala Pass, one can see clearly the train station and railroad cars in the USSR.

Construction of the North Xinjiang Railroad lies just around the corner. Then the old silk road will become an artery of iron and steel. In the future, the Long-Hai and the Lanzhou-Wulumuqi lines will be linked to it and rails will connect it to the Soviet railroad. Trade back and forth between China and the USSR, East Europe and the Arab countries will be more convenient and both economic and cultural exchanges will be closer.

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TRANSPORTATION

ELECTRIFICATION OF LONG-HAI LINE DISCUSSED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 6, 28 Nov 85

[Article by Feng Jinzhu [7458 6855 2691]: "Mid Section of Long-Hai Railroad Electrified"]

[Text] The section between Zhengzhou and Baoji on the Long-Hai Railroad totals 680 kilometers in length. It extends eastward to Lianyungang and westward through Baoji to connect with the Baoji-Lanzhou, Lanzhou-Xinjiang and Baoji-Chengdu lines. At Zhengzhou and Luoyang, the line intersects the Beijing-Guangzhou and the Jiaozuo-Zhicheng trunklines respectively. At Mengyuan, Xian and Xianyang, it intersects the Datong-Fenglingdu line, the Xian-Huxian line and the Xianyang-Tongchuan line respectively. It is a main transportation artery running across China from east to west, and it is an important route that runs from the coastal provinces to the northwest and southwest. As volume of traffic steadily increases on the Beijing-Guangzhou, Jiaozuo-Zhicheng, Baoji-Lanzhou and Baoji-Chengdu lines, and particularly on the Datong-Fenglingdu and the Xianyang-Tongchuan lines, transportation over this line also becomes increasingly heavy. Despite doubletracking, annual transportation capacity is only 19 million tons, but the actual volume of transportation is more than 20 million tons making this a hard pressed section of the Long-Hai line. To increase transportation capacity of this section of the railroad, and meet needs for hauling coal from southeastern Shanxi, western Hubei and western Shaanxi, in 1982 the state decided on the technical transformation of this section of the line through electrification.

Technical Transformation Through Electrification

Acting in accordance with the principle of construction over a period of time and enjoying benefits over a period of time to produce transportation capacity as quickly as possible, it was decided to build up the sections with a weak transportation capacity between Luoyang and Sanmenxia and between Zhengzhou and Luoyang. This would be followed by the building of the section between Sanmenxia and Mengyuan, and finally the building of the section between Mengyuan and Baoji. Inasmuch as this section of the railroad was a first class trunk line where line conditions were fairly good, the amount of technical transformation of the line required in advance of electrification was fairly small. Improvements were needed on only individual sections. In the electrification of this section of the railroad, many advanced techniques and measures for improvement were used. For example, the main transformers in the pulling transformer station used the fixed reserve method, which both saved on the use of land and reduced the amount of soil excavated while increasing the dependability of electric power supply. Vacuum circuit breakers were used on 27.5 kilovolts. Installation and linking to the capacitance compensation equipment increased the performance factor. The direct current power supply for the transformer station and the section points uses high discharge rate alkaline nickel-cadmium storage batteries to reduce the electrified railroad's disturbance of signaling and other equipment outside the railroad line. Within the pulling electric power supply system, current absorption transformers and backflow line equipment was installed as needed in sections. To save on the amount of land used and use less farmland, most contact grid work areas were co-located with the electric power supply sections on the pulling transformers. Dedicated lines for contact grid track vehicles were used in common with transformer station dedicated lines. Insulators with a 920 mm or 1,200 mm leakage distance were used on the contact grid. This was a 200 to 400 mm increase over those currently used and it greatly increased the degree of insulation of the contact grid and dependability. In addition, to solve the problem of power supply to large electric current sections, heat treated aluminum, magnesium, silicon and rare earth alloys were twisted together to form a carrier force bearing cable. Overhead ground wires were used as post ground connections thereby reducing the effect of post ground connections on signal track circuits. Both main line and station line connection grids used full compensation simple chain type hanging. Communication lines used small co-axial large multiple shielded electric cables. Signaling equipment used electric current concentration, automatic blocking, locomotive signaling and automatic stopping equipment. Time between trains is 8 minutes. Following electrification, traffic capacity will increase from the previous 72 trains per day to 172 trains per day, and hauling capacity will increase from the former 20.5 million tons per year to 68 million tons per year. The train pulling fixed number will rise from the former 2,600 tons to 3,500 tons. Overall transportation efficiency will increase more than twofold, and the transportation shortage situation will be alleviated.

Work began in 1983 and 1984 respectively on the Luoyang-Sanmenxia section and the Zhengzhou-Luoyang section, and plans call for completion at the end of 1986. All the other sections are to be built during the Seventh 5-year Plan period. At that time, the line will connect with the Baoji-Lanzhou electrified railroad over a total of 1,183 kilometers, and the line will become the second longest electrified railroad line in China.

Plentiful Material Resources

The Zhengzhou-Mengyuan section of the Long-Hai line is in Henan Province where mineral resources along the line are plentiful. Yima Prefecture is one of four major coal fields in Henan with several billion tons of coal reserves. Buaxite reserves are second largest in the country, large and medium size deposits having been verified at 19 sites. They are found mostly along the Long-Hai Railroad to the west of Zhengzhou and in Baofeng Prefecture near the Jiaozuc-Zhicheng Railroad. More than 1 million tons are mined annually. Molybdenum heads the list of non-ferrous and precious metals. Reserves are large; seams are thick; quality is high; and other metals are found with the molybdenum including iron, copper, wolfram, lead and zinc. In Lanchuan alone, molybdenum reserves of more than 1 million tons have been verified. Gold reserves amount to more than 900,000 tons, most of them being concentrated in the Lesser Qinling region of Lingbao. The natural oil shale of Zhuquansi in Mixian rivals the quality of the oil shale found in Arkansas in the United States, and it has found ready acceptance by foreign customers.

The Mengyuan-Baoji section of the Long-Hai line begins at Tongguan in the east and terminates at Baojixia in the west. It is located in western Shaanxi Province and traverses the central Shaanxi Plain where the soil is fertile and agriculture well developed, the area having been dubbed "the 800 li Qin expanse." Thanks to the intensivity of agriculture and the extent to which irrigation has developed, this region has become renowned as a wheat and cotton growing area of the country. Eighty-five percent of Shaanxi Province's wheat and 90 percent of its cotton are produced here. Since liberation, numerous large and medium textile printing and dyeing plants have been built at Xian, Xianyang, Baoji, Guozhen, Weinan and Dali, where one-tenth of the country's spindles are located. This is one of the country's major textile industry bases. Large reserves of coal are found along the Long-Hai Railroad that are second only to those in Shanxi for an important position in the country. They begin in the lower reaches of the Jing He and extend eastward through Tongchuan, Baishui, Pucheng, Chengcheng, Heyang, Hancheng, and across the Huang He where they connect with the coal seams of Shanxi, a distance of several hundred kilometers. The area is known as the "black belt of Shaanxi." Yanchang, Fuxian and Luochuan are famous inland petroleum bases in China. In addition, there are many deposits of gold, silver, copper and iron along the line.

Important Cities Along the Line

Zhengzhou, the capital of Henan is a communications hub between the north and the south, the east and the west in China. It has been dubbed "impregnable hub that controls a strategic area." Before liberation, it was called the "city of windblown sand," but today it has been transformed into a new style industrial city where industrial plants are as numerous as forest trees and where green trees form a canopy. It has more than 800 large and small metallurgical, electric power, coal, chemical industry, construction materials, electronics, and food enterprises, and it is an important base for the country's textile industry and for its machinery and aluminum smelting. Zhengzhou is one of the centers of China' workers movement. It was the place of origin of the Great "February 7" strike of 1923. The monument to the "February 7 Massacre" towers over the center of the city. It is a unique structure that is imposing and beautiful. From atop the memorial, one can gaze out over the beautiful landscape around Zhengzhou.

Luoyang is located on the south bank of the Huang He in a small basin of the western Henan highlands. Luoyang derives its name from its location on the north side of the Luo River. Luoyang has a long history. Nine different dynasties built their capital here including the eastern Zhou, the eastern Han, the Wei dynasty founded by Cao Cao, the northern Wei, the Sui, the Tang, the posterior Liang and the posterior Tang, earning the city the name, "ancient capital of nine dynasties." Historic sites are numerous. South of the city is a lookout tower atop a gate that has been named for a famous minister of the Tang Dynasty from which the scenery is beautiful. The Longmen Caves located here are one of the three cave art treasure houses in the country. Baima Temple is one of the earliest Buddhist temples built in China, and is on a grand scale. Luoyang is also a new industrial city, which has nationally renowned tractor plans, ball bearing plants, mining machinery plants, locomotive plants, glass plants, and refractory materials plants. Luoyang is also known as the "poetry capital" and as "flower city." Luoyang peonies are famous in both China and abroad.

Xian is located in the middle of the central Shaanxi Plain that is fertile for 1,000 li around, and on the banks of the Jing and the Wei rivers. It is the largest city in northwest China, and the political, economic, cultural, and communications center of Shaanxi Province. The ancient name for Xian was Chang'an. The city is more than 3,000 years old. Since B.C. 1162, it has served as the capital of 11 dynasties over a period of more than 1,100 years. Peasant rebel armies, including those of Huang Chao and Li Zicheng also established their political power here. This is one of China's six major ancient capitals. Scenic historical sights abound. There is the Xian collection of large stone tablets, the Great Goose Pagoda, the Small Goose Pagoda, the museum at Banpo Village, the tumulus of Qinshihuang, the warm springs at Lishan, the walls of Xian, bell towers, drum towers, Daqingzhen Temple and numerous ruins and ancient tombs serve as genuine Chinese historical and cultural treasure houses. The memorial site to the revolution has an Eighth Route Army Xian office memorial hall. Today, Xian has become a center that attracts the most tourists. Xianyang is located in a corner of the Jiujun Shan to the north of the Wei Shui, hence the name Xianyang. Xianyang was also one of China's ancient capital cities, and contains ruins of the Qin Dynasty capital, Zhou Dynasty tombs, Western Han Dynasty tombs, and Tang Dynasty tombs at many places. Today, the outlines of a new industrial city has begun to take shape. The textile industry is best developed, and its output of cotton cloth and cotton yarn is second only to that of Xian. It has become the second cotton textile base in the northwest. On the banks of the Wei He in Xianyang's western suburb Asia's largest colored kinescope plant has been built with a production of 960,000 kinescopes annually. The both ancient and youthful Xianyang is thriving and full of vitality.

Baoji, located on the western fringe of the central Shaanxi Plain is a choke point for transportation to the northwest and southwest, and it is a concentration and distribution point for materials going into and coming out of Shaanxi, Gansu and Sichuan provinces. It is the second largest industrial city in Shaanxi Province. Construction of China's first electrified railroad will begin here.

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TRANSPORTATION

RAILROAD COMMUNICATIONS, SIGNALING EQUIPMENT MODERNIZED

Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATION AND SIGNALS] in Chinese No 9, Sep 85 pp 1-3

[Article by Electrical Bureau, Beijing Railway Bureau: "Good Performance in Improvements To Hasten Railroad Modernization"]

[Text] I. Important Responsibility of Railroad Electrical Departments

As a result of the efforts made by the whole Party and the whole people of the country since the 3d Plenum of the 11th CPC Central Committee, a historic change has taken place in which the work of the whole Party has shifted to socialist modernization centering around the building of the economy. "Decisions on Reform of the Economic System" prepared by the 3d Plenum of the 12th CPC Central Committee called for a hastening of the pace of reform of the entire economic system focusing on cities. Railroads are to take the lead in the takeoff of the economy. The Beijing Railway Bureau located in the capital city and with railroad routes in three provinces and two cities under its jurisdiction, is responsible for a quarter of the country's freight shipments, an eighth of its passenger transportation, a third of its coal shipments, and four-fifths of Shanxi Province's coal shipments outside the province. To bring about the magnificent plan for quadrupling the output value of the national economy by the end of this century, the Beijing Railway Bureau's volume shipped will have to increase 1.5 fold between 1980 and 2000. To meet this requirement, during the Seventh 5-year Plan period, the state will concentrate financial and material resources in the Beijing Railway Bureau for investment in the building of new lines, double tracking and triple tracking of several hundred kilometers and for the electrification of nearly 1,000 kilometers. Nevertheless, even after benefits are received from these projects, the amount shipped will still not meet requirements. The unfulfilled portion will have to be satisfied through improvement of existing equipment and the tapping of its potential, and through technical progress.

The development of science and technology presently plays a major role in increasing railroad transportation capabilities and in ensuring transportation safety. Electrical equipment is outstanding for being able to produce quick results from small investment. This characteristic has been demonstrated in practice. Completion of automatic blocking on the Beijing-Shanhaiguan Line and on the Feng-Sha main line running from Beijing through Sanjiadian and Shacheng to Zhangjiakou, "changing from 10 to 8," greatly enhanced these lines traffic bearing capacity, and the opening for use of all electric interlocking at railroad stations reduced the number of moving accidents to the former fewer than 10 percent for extremely remarkable overall economic benefits. These are clear-cut examples. Yet, as railroad transportation develops, as new equipment is added, and as new technology is adopted for use, electrical departments will bear an increased responsibility for safety in railroad transportation. So as to continue to meet the needs of transportation departments, relations between the railroads" electrical departments and other departments will become increasingly close. Railroad electrical departments will shoulder increasingly heavy responsibilities for the safety and high efficiency of railroad transportation.

2. Development of the Beijing Railroad Bureau's Electrical Equipment

Thanks to the consideration shown by the Ministry of Railways and leaders of the Beijing Railroad Bureau, the bureau's electrical equipment has expanded fairly rapidly in recent years. As of the end of 1984, the bureau had the following equipment:

Automatic blocking on 2,124 kms, or on 35.7 percent of the distance over which it operates; electric interlocking at 285 stations, or among 42 percent of the total number of stations; six mechanized humps (one of which is semiautomatic); dispatch control on 113.7 kms; and 5,551 kms of electric cables (including 1,887.6 kms of long distance electric cables).

The figures given above show the very rapid expansion of the bureau's electrical equipment in recent years. Furthermore, the scope of service that the railroad electrical system has provided to other sectors of the railroad bureau has also expanded, and its service capabilities have also increased. At the same time, it has added large amounts of new equipment such as 25 Hz inter-area track circuits and frequency shifting automatic blocking equipment. It has also applied computer technology and large numbers of technical innovations. All these things have provided a powerful guarantee of transportation safety and they have raised the effectiveness of available equipment.

To meet needs for development of production, we have carried out efforts to reform the management system and the maintenance and repair system in electrical work throughout the bureau. Reform of the maintenance and repair system has consisted primarily of the promotion of a "three repairs and one checking" system, with increased building of signals repair and spare parts shops, communications signal inspection and repair shops, radio broadcasting station inspection and repair shops, and such electrical maintenance and repair bases. All signal equipment has been brought into the shops for repair and major repairs of equipment on the line has been reduced. As of the end of 1984, the shop repair rate for traffic signaling equipment was 80 percent; the shop repair rate for signal equipment was 70 percent. Shop repairs greatly improved inspection and repair quality and hastened progress in the direction of the industrialization of maintenance and repair work. In addition, standardization and modularization of of parts has been achieved for a substantial portion of signaling equipment that has improved equipment interchangeability and has reduced friction between equipment maintenance and transportation organizations.

Methods adhered to during recent years to raise the level of scientific management and promote all-round quality control. This effort has included the launching of a widespread quality control team campaign. As of the end of 1984, there were 312 quality control teams throughout the bureau that had 75 items on achievements applicable throughout the bureau. These things played a fine role in assuring transportation safety, in upgrading transportation efficiency, in improving equipment performance capabilities, and in improving the technical quality of the corps of employees itself.

3. Emphasis on Reform For A Greater Contribution to the Modernization of Electrical Equipment

Since the transportation responsibilities for which the Beijing Railways Bureau is responsible are extraordinarily important, electrification improvements and electrification projects are very numerous. Several problems urgently in need of study and solution exist in the prevention of electrical interference and in consistency and reliability of 25 Hz track circuits between areas and on frequency shifting automatic blocking equipment.

To insure train safety, automatic control techniques for train traffic have been placed on the daily agenda of important things to do. Upgrading and technical improvement of the quality of use of dispatching centralization, dispatching supervision and locomotive signaling equipment will be important.

Electronic computers have now begun to be used to monitor operation of all electric interlocking and hump equipment so as to provide scientific data for a transition to control of repairs. Expansion and promotion of repair control is necessary to bring the level of improvements of the maintenance and repair system to a higher level. Much work remains to be done in the further summarization, perfection and promotion of this system.

Demands on communications equipment result mostly from the rapid rise in volume of information required by the increase in railroad transportation volume and the modernization of control work. Consequently, railroad communications systems have to be able to transmit diverse kinds of information, thereby improving the quality of service. Work on a computer network for the Beijing-Shanghai circuit that was begun more than 2 years ago is without doubt a pilot project for and an integral part of this kind of work.

It has been decided to introduce an optical cable four cluster 140 Mb digital communications network in construction of the Da-Qin Line, and all of the exchange equipment will be 1980's programmable exchanges. Once the Da-Qin Line has been completely built, it will also be China's newest and most versatile integrated digital network (IDN). Plans have already been approved for the communications network on the Beijing-Zhengzhou trunkline where optical cable equipment will be used. All these developments will cause the Beijing Railway Bureau's communications equipment to develop to new heights.

Use of composite train techniques has effectively increased transportation capacity, but it has also brought a series of problems in its wake for the use of electrical equipment. Electrical units will play a major role in perfecting synchronous control techniques for multiple locomotives. Increase in train tonnages and train density will add new factors requiring consideration in electrical maintenance and repair work. Train traffic organizational work will require electrical departments to increase their lateral liaison with other units. All these things require diligent study as a part of reform work. There is bound to be further expansion of electronic computer technology into electrical equipment. Electronic computers are not only a tool for control and monitoring, but they will become the heart of electrical equipment as well.

In today's world in which a new technological revolution has arrived, the railroad sector in all countries is giving serious attention to progress in communications and signaling equipment in the same way that they devoted serious attention in the past to the development of railroad pulling power and railroad construction. Since electrical equipment has increased rapidly in the Beijing Railway Bureau, even though organizations, employees at all levels have put forth great efforts; nevertheless, progress in improving the skills of electrical personnel still lags behind the development of equipment The quality of personnel is far from being able to meet work requirements. There are glaring gaps today in the technical training of electric staff members and workers, in improvement of the vocational training of new employees, in updating knowledge of engineers and technicians, and in improving the managerial skills of managerial personnel at all levels. Consequently, we will have to proceed from China's circumstances and circumstances as they exist on railroads to propose measures for dealing with the realities of the transportation tasks that confront the bureau and the realities that confront development of electrical equipment, and we will have to hasten the modernized building and modernized management of communications and signaling equipment on the basis of what is scientific, advanced, economical and feasible. Today the railroads' electrical departments are bending every effort to improve maintenance and repair work, to rid the railroads, to the maximum extent possible, of all kinds of things that contribute to a lack of safety, and to ensure safety and high efficiency in railroad transportation.

Employees concerned with electrical work throughout the bureau bear a heavy responsibility and have a long road to travel. Every employee concerned with electrical work should bring to bear his intelligence and knowledge on his own glorious work position and make a greater contribution to the modernization of the bureau's electrical equipment.

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TRANSPORTATION

ROADS CITED AS PREREQUISITE FOR RURAL DEVELOPMENT

Beijing GONGLU [HIGHWAYS] in Chinese No 9, 25 Sep 85 pp 2-8

[Article by Zhu Xuewen [2612 1331 2429] and Zhu Hong [2612 4767]: "Marked Changes Needed in Highway Conditions During Seventh 5-Year Plan"]

[Text] Dramatic changes occurred in the development of China's national economy and society following enunciation by the 12th CPC Central Committee of the magnificent strategic goal of quadrupling the gross output value of industry and agriculture by the end of this century, and the two stage strategic plan for achieving this goal. Output of China's industry and agriculture has grown tremendously in recent years. Commodity production has developed rapidly; large numbers of village and small town enterprises and all sorts of specialized households and economic partnerships have come into being; the income of 800 million peasants has risen tremendously; and the rural economy has begun to develop in the direction of specialization, commodity production and modernization. Reform of the economic system centering on cities, and further implementation of a program to "enliven the domestic economy and to open the country to the outside world;" and acceleration of the building of special economic zones and the establishment of open cities and of open economic zones along the coast have sparked development of the inland economy. These multi-level strategic economic development plans that have gradually swelled from the outside to the inside and from the seacoast to inland areas have placed heavy burdens on passenger and freight transportation. Nowadays, there is an urgent need for quick, direct, readily available, safe and comfortable modern highway transportation between cities and the countryside, between one city and another, and between the coast and the heartland. Peasants, specialized households and village and small town enterprises all want to buy various kinds of special purpose motor vehicles that are fuel efficient, comfortable and produce high benefits. They want highways to go into rural villages to provide the peasants with inexpensive, good quality and readily available transportation. Quite a few places want to build high quality highways and high efficiency trunk highways that can open markets for ever increasing supplies of products, that can satisfy needs in carrying out large scale socialized production, and that can satisfy the steadily increasing needs of the people, and particularly the needs of 800 million peasants, for industrial manufactures, science and technology, culture and education. This trend presages a new stage of development of China's highway transportation.

For a long time, neither theory nor practice in economic planning has addressed the issue of transportation having a role in advancing and restricting socio-economic development of the whole country, and the need to build highways first as a precursor to rural development. Consequently, within the transportation and communications system there has long been an emphasis only on railroads to the neglect of the role of highway transportation. There has been a failure to realize that highway transportation is not only closely related to railroads in the communications and transportation system, but that in inland areas and in remote provinces and regions, once the commodity economy has progressed to a certain extent, highways play a major role as trunklines,and that highways and railroads are mutually complementary and jointly constitute a complete transportation system. Investment in highway transportation has been cut repeatedly with the result that the highways are extremely antiquated and there is no dovetailing of the various forms of transportation. This has meant greater gaps and more striking contradictions in a communications and transportation system that was not adequate to begin with.

How to make use of the favorable circumstances provided by opening to the outside world and reform, to abide by the law that transportation has to come first, and to build a transportation industry is a strategic key to China's quadrupling of the gross output value of industry and agriculture by the end of this century.In recent years, leading comrades on the Central Committee have pointed out repeatedly the need to readjust the pattern of transportation, to hasten the building of highways, to increase the proportion of highway transportation and to make use of the transportation network's overall transportation capabilities. Most recently, Premier Zhao pointed out once again that change in the pattern of transportation is a guiding program in building the country during the Seventh 5-year Plan. The proportion at which the transportation system should be maintained in the national economy, the reciprocal role of various modes of transportation and the laws governing their interdependence bear on strategic goals, the pace and the programs and policies for development of China's transportation. These are matters that await study and decisions by the authorities concerned. This article only proposes some exploratory views on how to proceed with highway construction and the level to be attained during the Seventh 5-year Plan.

1. Readjustment of Transportation Patterns Requires Acceleration of Highway Construction

1. Status of and Problems With China's Highways

China's highway transporation system today lags half a century behind that of advanced countries in Europe and the Americas. Highways are China's weakest link. During the 1950's, China devoted serious attention to the development of its transportation, making highway construction a strategic action for strengthening national defense. Highway construction was made a part of state capital construction plans, and investment in highway construction amounted to approximately 3 percent of total investment in capital construction nationally. The building of national trunk highways was centrally controlled by the state. Under aegis of this policy and system, national trunk highways were built between Chengdu and Laoyingyan, Baoji and Chengdu, Sichuan Province and Guizhou Province, Chongqing and Xiaguanying [Gansu], Sichuan Province and the Xizang Autonomous Region, Qinghai Province and the Xizang Autonomous Region, Fuzhou and Wenzhou, Shenyang and Mudanjiang, and Weixian [Shandong] and Shijiazhuang [Hebei], which remain mainstays among the country's highways. During the late 1950's, authority to build highways was transferred to a lower level and for the past 20 or more highway construction has had to depend on road maintenance funds collected by individual jurisdictions to maintain simple reproduction, plus some national border defense funds, construction work done by civilian laborers, and operation conducted by the local people with subsidies from the state for partial improvements and upgrading. After the 12th CPC Central Committee made the building of transporation to carry energy a strategic focus, only railroads and seaports received attention and highway construction still had no place in line among national capital construction plans. During the Sixth 5-year Plan period, highway construction remained dependent on approximately 1.3 billion yuan in national border defense funds and on a small amount of local investment; however, approximately 2.3 billion yuan of funds for energy capital construction were taken out of road maintenance expenditures. During the Sixth 5-year Plan, highway distance for China as a whole averaged an increase of approximately 10,000 kilometers annually. This was lower than the historical average annual increase of between 20,000 and 30,000 kilometers annually. Standards for improvement of highway quality were maintained at those of the Fifth 5-year Plan period or slightly lower. As of the end of 1984, 38 percent of the nation's 920,000-odd kilometers of highways were substandard highways that did not meet technical standards; 47 percent were minimum standard single lane rudimentary highways, and 13 percent were dual lane highways able to accommodate only old medium size motor vehicles (4 ton Liberation trucks) for the most part, and a mixture of all sorts of vehicles traveled over them. Only 20 percent of the total highway distance was surfaced roads that markedly conserve fuel and lower transportation costs, and except for a small number of asphalt surfaced roads, an overwhelming majority of these had a 2 to 3 centimeter thick oil waste topping. Moreover, more than 60 percent of these had been used for longer than the period for which they were designed and were urgently in need of patching and improvement. There are more than 5,000 townships and more than 260,000 rural villages (or production brigades) in the country that have no roads. On trunk highways, there are more than 200 fording points that have no bridges; more than 4,000 kilometers of roads simply dead end, and 1,000 bridges an estimated more than 40,000 linear meters long are urgently in need of improvement. Ninety-two percent of the 620,000 kilometers of county and township highways are substandard for minimum standard fourth class highways, more than half of which are unsurfaced or have been topped with a simple mixture of mud and crushed stone that cannot be traveled in all kinds of weather. Once rural villages carried out reform of the economic system and promoted contract responsibility systems linked to output, as grain yields rose somewhat and rural commodities increased slightly, difficulty finding transportation, difficulty in boarding buses, and blocking of the flow of commodities occurred in cities and the countryside everywhere.For example, a bumper corn crop in northeast China required the outshipment of 22 billion jin annually; however, high costs made highway transportation undesirable, neither railroads going southward past the Great Wall nor seaports had the necessary handling capacity and highways going to and from ports and railroad stations were not able to concentrate the corn on the one end and distribute it at the other. As a result, arrangements could be made to ship only slightly more than 6 billion jin. More than 10 billion jin of corn is added to storage annually and the cost of storage runs to between 1.7 and 2 billion yuan. Moreover, if the grain remains in storage for more than 3 years, it spoils. It cannot be eaten, much less exported.

Another example occurred in Shanxi Province, China's major coal production base. The Taiyuan - Shijiazhuang Highway is one of the main thoroughfares for shipping coal out of Shanxi, carrying approximately 20 million tons annually. Guiguan in Pingding County on the Taiyuan-Shijiazhuang Highway is the "eastern gateway" to Shanxi Province, and the distance between Pingding, the county seat, to Jiuguan is 37.5 kilometers over a third class highway through a mountainous region that was built in 1969 and that was substantially able to handle the volume of transportation up until 1978. From 1980 onward, Shanxi's outshipments of coal gradually increased, and the volume of traffic over the highway between Pingding and Jiuguan shot up from 4,000 vehicles per day to 10,000 vehicles per day, and sometimes going as high as 15,000 vehicles per day. This was more than five times the maximum volume of traffic that a third class highway is able to carry. Since the road was narrow and vehicles numerous, accidents were numerous and the road was frequently blocked. During November 1983 alone, the highway was blocked more than 30 times. This included a serious traffic jam accident at Jiuguan in which more than 10,000 vehicles were blocked in the foothills of the Taihang Shan for 2 days and 2 nights. Authorities estimate a decreased output value of between 1.1 and 1.5 billion yuan from production enterprises attributable to traffic jams during 1984, and a 20 million yuan reduction in earnings of motor vehicle transportation enterprises.

Another example is in the golden delta region of the Chang Jiang from Shanghai to Nanjing where there is no through highway to connect Suzhou, Wuxi and Changzhou in China's most developed region. Most of the more than 300 kilometers of existing highways are of third or fourth class standards,and some road sections dead end and permit the passage of vehicles only with difficulty. Vehicle speeds average only 30 kilometers per hour making it impossible to reach one's destination after traveling all day long.

The foregoing situations show that highway transportation is already unable to keep up with development of the rural commodity economy, with needs for the transportation of energy or with the opening of the country internally and externally.

2. The Role of Hastening Highway Construction Under New Circumstances

(1) Development of the rural commodity economy and readjustment of the structure of agriculture have placed higher requirements on transportation.

Reform of the rural economy has destroyed the longstanding stagnation of agricultural production in China, and emancipated the country from the shackles of the traditional self-sufficient or semi self-sufficient economy in a transformation toward large scale commodity production and modern agriculture. The gross output value of agriculture increased by an average 7.9 percent per year from 1979 through 1983, and in 1984 gross output value was 14.8 percent higher than in 1983. The average annual increase in gross output value was more than double the 3.2 percent per year for the 26 year period from 1953 through 1978. Grain output increased 100 million tons in 6 years, output breaking the 400 million ton mark. Output of cotton, oil-bearing crops and sugar crops more than doubled. Very great increases also occurred in output of other cash crops and agricultural sideline products. Furthermore, village and town enterprises developed even more rapidly. Today, there are 1.35 million township and town enterprises throughout the country with a gross output of 150 billion yuan. Peasant income has also risen from the 134 yuan of 1978 to 355 yuan. In Wuxi County in Jiangsu Province, for example, commune member income was 709 yuan per capita in 1984. Expansion of agricultural production has spurred changes in the structure of industry. A large part of the workforce has been emancipated from farming to work in industry and business, in construction, in transportation and in the service trades. According to 1984 statistics for 25 provinces and cities throughout the country, 14 percent of all peasant households were specialized households, the percentage of such specialized households engaged in non-agricultural production having risen from 25 percent in 1983 to 33.6 percent in 1984. The commodity rate for agriculture increased from the 35.6 percent of 1978 to 53.3 percent. As a result of expansion in the circulation of rural commodities, the exchange between cities and the countryside has burgeoned and rural passenger and freight transportation has risen rapidly in recent years. It has been calculated that 2 billion tons of goods moved over rural highways in 1984 and that passenger travel amounted to between 2.5 and 3 billion people for an increase averaging more than 15 percent per year. A random sampling of three 100 million yuan villages in Jiangsu Province showed that peasants traveled on a modern means of transportation 29 times a year, 24 times by motor vehicle. Clearly, as the rural economy develops, high speed growth of highway passenger transportation is taking place. To make up for the shortage of transportation in the country, since 1983 individuals have been encouraged to buy motor vehicles for the transportation and sale of agricultural and sideline products and for short distance passenger transportation. Rural households specializing in transportation have to transport so as to make a living, and they have become an important integral part of specialized rural production households. Statistics show nearly 350,000 motor vehicles in rural villages as of the end of 1984, or five times the 1978 figure. In 1985, the state drew up another 10 policies for further enlivening of the rural economy that call for the use of a certain amount of financial and material resources to support development of processing industries for agricultural products in principle grain producing areas, and for support of the development of animal husbandry, the aquatic products breeding industry and forestry. These policies encourage development of mining, livestock feed industries, the food industry and operation of tertiary industries. At the same time, more urban industry and technology has been transferred to the countryside, to townships and towns,thereby linking more closely the economies of cities and the countryside. For a fairly long time to come, the need for rural transportation and exchanges between cities and the countryside will continue to grow rapidly, an the volume hauled will also rise steadily. The state will sell motor vehicles directly to peasants in 1985, and it is anticipated that large numbers will be sold in the future. Once there are a large number of motor vehicles, the peasants will become dissatisfied with the roads. Once roads have been improved, not only will travel be more convenient, but vehicle speeds will increase and transportation costs and waste of materials will decline greatly. This will stimulate development of the rural economy in turn. Take the situation in Zuoyun County in northern Shaanxi, for example, where income in 1978 averaged only 78 yuan per capita. During the past several years, this county has emphasized the development of transportation, so that virtually every village is accessible to motor vehicles. It also developed a mining industry and the growing of cash crops. Now income averages 820 yuan per capita making it one of the richest counties in the whole country in terms of per capita earnings.

Another example is the several 100 million yuan townships in Wuxi County where rapid development took place only after highways had been built. Qianzhou Township, notorious throughout China, was known prior to 1976 for being backward in three ways: It was backward in transportation, having no roads; it was backward in agricultural production, having no mechanization; and it was backward in that its grain yields and distributions to its commune members were among the three lowest of 36 townships and towns in the county. To bring about a change in its backward condition, between 1970 and 1977 the Qianzhou Village CPC Committee and township government began to organize the 21 production brigades in the township, a workforce of nearly 10,000, in the construction of 35 kilometers of new rural roads, 7 kilometers of trunk highways and 237 bridges totaling 2,844 linear meters in length. By 1980, 21 villages were accessible to motor vehicles; tractors could move around from one brigade to another, and the township set up a motor vehicle transportation unit. Development of highway transportation gave powerful impetus to the development of rural industry. In 1970, output value of industry for the whole township had been only 1.53 million yuan. In the 7 year period between 1978 and 1984, the output value of industry grew by approximately 31 percent each year reaching 156 million yuan in 1984. In a period of 7 years, the township's industrial output value increased 5.6 fold. Four major changes had taken place as follows: First was a major change in agricultural production conditions. Second was a major change in industrial production conditions. Third was a major change in transportation conditions; and fourth was a major change in the standard of living. Today the masses expectations are for "nutritious food, spacious housing, pretty clothing, high quality products for use in daily life, and convenient transportation." Qianzhou Township's change from being backward in three ways to four major changes, and Zuoyun County's change from poverty to riches is attributable primarily to resolute implementation of the line, programs and policies of the 3d Plenum of the 11th CPC Central Committee, and the carrying out of reform of the rural economic structure. This has been a great victory for the Party's rich peasant policy. Nevertheless, objectively speaking, for the rural commodity economy to develop, transportation has to come first. It is particularly necessary to provide safe, convenient, on time, and door-to-door direct transportation between cities and the countryside to satisfy and promote all-round development of rural trade, industry and agriculture.

(2) A rapid and direct transportation network that links areas both internally and with other areas is urgently needed for development of economic zones centering around large cities and for development of coastal areas open to the outside world. The blocked economy that existed for many years in which

political and business matters were intermixed and central and local authorities were cut off from each other shackled development of the country's productivity. Reform of the economic system was for the very purpose of changing this rigid economic pattern into an open multi-level network economy that would increase the vitality of enterprises, promote a specialized and cooperative division of labor, and hasten development of the economy. But this could not be done without a developed transportation system. Take the Shanghai economic area, for example. This economic area has a population of nearly 200 million, and the output value of its industry and agriculture is one-fourth the total for the whole country. The area has 14 large cities, a galaxy of human talent, a plethora of institutions of higher learning, and plentiful scientific and technical forces. It has five port cities that open to the outside world and the Chang Jiang delta open economic zone that ease the importation of foreign investment and technology. It has a developed industrial foundation and agricultural and sideline products bases, richly endowed coastal areas and territorial seas, plus coal, iron and non-ferrous metals from Anhui and Jiangxi provinces. On the other hand, sole reliance on water transportation and railroads to bind together organically Shanghai and the 30-odd large and medium size areas in the area as well as the farflung countryside, township and town is grossly inadequate. High speed highways between Shanghai and Nanjing and between Shanghai and Hangzhou as the backbones of a system for linking the major cities in the area with the major parts in a high speed trunk highway system is indispensable. Such a system could link city and rural roads in all directions; could help link large and medium size cities with each other; and could link all the open cities, ports along the coast and along the rivers with the hinterland to spark the development of northern Jiangsu, Anhui, Jiangxi, and Zhejiang provinces. The interlinking of water transportation, rail transportation and civil aviation, each performing the task it is best able to perform, could markedly improve fairly rapidly transportation conditions throughout the region. A rapidly growing open style, network-like Shanghai economic area would become a turnkey vigorous all-round development of China's economy.

(3) Division of transportation between highways and railroads, each performing the task it is able to do best could fairly quickly upgrade overall transportation capabilities and benefits from the entire transportation system, and would ameliorate the chronic transportation shortage. Furthermore, improvement of highway conditions is a prerequisite for making the most of the advantages that motor vehicle transportation provides. China's poor roads, the backwardness of the way its vehicles perform and inequities in transportation prices have forced on to the railroads large amounts of freight and passengers traveling intermediate and short distances that might better have been carried by highways. Since 1983 attention has been devoted to having part of the flow carried by highways, and as of the end of 1984, more than 500 road transportation routes to carry part of the flow had been established, and they carried 400,000 passengers a day. This was more than one-tenth the volume of passenger traffic carried by the railroads. Highways played a very good role. Road transportation potential is still a long way from being used to the full, however. Statistics show road passenger transportation as being approximately 20 percent of railroad passenger transportation in terms of ton kilometers, and road traffic capacity as being between 40 and 50 percent that of railroads. Forecasts calls for a quadrupling of the volume of passenger

transportation for China as a whole by 1990, and an approximately 60 percent increase in the volume of railroad passenger transportation as well. Furthermore, some of the busiest railroad passenger lines are trunklines for hauling coal, so the need to ensure that coal is hauled will make difficult the addition of more passenger trains. Expansion of train classification is a good method of increasing traffic, but the increase in carrying capacity would be able, at best, to satisfy only about one-half the need for additional transportation. This transportation capacity could best be used for the hauling of passengers a distance of 200 kilometers or more. Much of the intermediate and short haul passenger transportation should be shifted to highways. Passenger travel 800 kilometers or farther should be handled partly by civil aviation as part of a fundamental plan for solving travel difficulties. In 1984, the railroads refused 1,215 pieces of loose freight. They stopped running 53 express trains with only a few cars, and thus increased line capacity by scores of millions of tons. Were highways paralleling busy railroad sections to be improved and further use made of the role of highway transportation, it has been roughly estimated that the increased railroad transportation capacity would be equal to that of two Da-Qin [possibly Dalian to Qinhuangdao] lines, and capable of hauling more than 60 million tons of coal from Shanxi, Shaanxi and Henan to east China. Not only would this greatly alleviate the transportation shortage, but direct benefits for the economy would be considerable.

(4) Development of the provinces of south China urgently requires building of new transportation trunk lines. Only if highways lead the way can this problem be solved fairly quickly.

Economic development in the eight provinces of Sichuan, Yunnan, Guizhou, Hunan, Guangdong, Guangxi, Fujian and Jiangxi is lower than the average for the country as a whole except in the Zhu Jiang delta. In Jiangxi Province, which neighbors Jiangsu Province, per capita national income is less than half than of Jiangsu Province. To bring about gradual change in this backward situation in the economies of these regions, solution to the problem of a lack of readily available transportation is necessary first of all, with the carrying out of a development strategy whereby coastal areas give impetus to inland areas. The present population of these eight provinces is approximately 380 million, or 36.7 of the national total. They have approximately 13,000 kilometers of main railroad lines, or only 22 percent of the national total. Since line standards are low, the annual volume of freight hauled is less than 16 percent of the total for the country. These provinces have 41 percent of the highway distance in the country. Though this is no small percentage, most of it is not up to standards. These provinces have only 18,000 kilometers of first, second and third class roads, or 13 percent of the national total. They have approximately 45,000 kilometers of shipping routes, but few of them have been maintained except for the Chang Jiang, and they are underutilized. It is understandable that the people of this region earnestly hope that a railroad will be built; however, problems in building railway projects in mountainous areas are daunting; construction costs are high; and a lot of time is required to build them. Over the near term, the building of transportation within the country should focus on improvements. Even if planning is done during the mid and late 1990's, it will be difficult to put plans into effect by the end of the 20th century. Another matter is that the investment required for building a railroad with an annual traffic volume of 5 million tons or less is not cost effective. Therefore, the policy for building transportation in this area should make full use of the navigation of the two great river systems of the Chang Jiang and the Zhu Jiang, and highways should come first when land transportation trunk lines are to be built. Transportation lines for exports have to be built in the near future for Yunnan, Guangxi and Guizhou provinces and for southeastern Sichuan, to create conditions for development of the Wuling Shan region where these four provinces meet. Jiangxi Province has to be linked closely to Shanghai and to the Chang Jiang and coastal open economic zones. A circumferential highway should be build around Hainan Island in order to hasten development of the island. If construction of these highways is completed during the Seventh 5-year Plan period, it will be possible to lay a fine foundation for vigorous building of the province of south China during the following decade.

(5) Strengthening of national defense in border regions, the building up of borderlands, and development of the economy of minority nationality areas requires the building of a corresponding transportation system.

Most of China's border regions are inhabited by minority nationalities. Not counting the provinces of southwest and northeast China, the area of Xinjiang, Xizang, Nei Monggol, Ningxia, and Qinghai totals 4.84 million square kilometers, or one-half the total for the whole country. Population is more than 42 million, or 4.2 percent of the national total. In 1983, the gross output value of industry and agriculture in these regions was 27.6 billion yuan, or 3 percent of the national total. It may well be said that the land is vast and the population scant; the economy is also fairly backward. Despite the limitations of the region's national economy over the short term, since its resources have yet to be completely surveyed, large scale development cannot be undertaken. Moreover, the potential of its underground treasures and of the land awaiting development is very great. it is a vast field for future economic development. This region's transportation is characterized by long distances and a small volume of traffic. Thus, it is suited to the development of air transportation. Except for the movement of coal by railroads and of petroleum by pipelines, land transportation should consist primarily of the development of high tonnage trucks and truck trailers. A combination of highways air transportation needed for national defense should be used to developed a highway and air transportation system for use by both the armed forces and the civilian sector.

2. The Distribution of Highways in the Overall Transportation Network

The building and distribution of highways must proceed from needs in developing the national economy. In the planning and allocation of investment for a transportation network, likewise the role of highways should be accorded the position it deserves.

Highways can go to industrial plants, to mines, to rural villages, to cities and towns and to the various places where people carry on production and daily life. Consequently, they have always been termed ribbons that link city and country, and they are also branch lines on which railroads, water transportation and air transportation rely for the concentration and distribution of passengers and freight. They are like the capillaries in the human body, which though small are indispensable. But, it is not enough that our understanding halt at this level. The changes that have taken place in the structure of transportation in Japan and western Europe ever since the 1950's, with highway transportation surpassing railroad transportation, have positively not been because of the small land area of these countries. Rather they reflect socio-economic development to a certain stage, and they result from changes that have taken place in the industrial structure and people's social lives. Some comrades suppose China to be a continental country with a vast land area in which the structure of transportation should continue to be railroads for the most part. Admittedly, since distribution of the country's natural resources and its economic development are uneven, the hauling over long distances of minerals such as coal and iron and of large quantities of freight necessitates reliance on railroad and water transportation.Yet viewd from another angle, this is not the whole story. First of all,a look at the movement of passengers, one of the two major functions of transportation, shows the percentage of passengers carried by railroads to be declining gradually while the percentage carried by highways is rising rapidly. Passenger turnover for railroads is declining at about 1 percent per year, while it is rising 2.4 percent for year for highways. It is anticipated that by the end of the 1990's, highways will carry more passengers than railroads to become the number one mode of transportation. There is a shortage of passenger transportation now, but it will grow at high speed in the future. Railroads will expand the classification of passenger trains increasing the number of cars from 17 to 20 to increase the number of passeners carried by trains. This will moderate some of the shortage of long distance passenger transportation. But primary reliance on railroads will be unable to solve this problem. This is not solely because there is a limit to the number of passengers railroads can carry. More importantly it is because passengers will take up a large part of railroad lines' traffic capacity, and reliance on railroads to solve the passenger transportation problem is not cost effective nor does it make sense in terms of the use of transportation capacity or in results from investment. It is necessary to make use of the overall transportation capacity of the transportation network, to accelerate use of airlines and to make use of passenger transportation on the Chang Jiang and along the coast. This will require highway transportation to assume a greater role in passenger transportation. In sections of railroads where passenger transportation is short, in particular, highways can take over responsibility for passenger transportation to a distance of 200 kilometers or less. Second, looked at in terms of economic development, transportation of the country's main source of energy, coal, relies primarily on railroads. Two-thirds of China's coal output is hauled by railroads, and railroad transportation is certainly extremely important for this purpose. But, how can the railroads be made to haul more coal? The railroads intend to run heavy duty combined trains, to increase the percentage of ganged through trains, to reduce intermediate stops, and to carry less short distance and odd lot freight. To take these actions without coordination with highway transportation will not do. Because highway transportation provides rapid service directly to intended destinations, produces little damage or losses, with improvement of highways and truck performance, it will rapidly become economical for transportation over long distances. With the rapid development of medium size and small enterprises and of small cities and towns, as well as of economic zones that depend on large cities, and particularly for coastal areas and areas open to the outside world such as the Shanghai Economic Zone, for Liaodong, the Shandong promentory and their hinterlands, for the special economic zones in Guangdong and Fujian provinces, and for the Beijing, Tianjin, Hebei and Shanxi areas, highways serve not only as capillaries in the structure of their transportation systems, but also play a role as major transportation trunklines cutting across administrative zones. Our overall planning for a transportation network has to rid itself of the shackles of longstanding traditional concepts of a blocked economy. It has to become emancipated from a transportation structure used primarily for the transportation of raw materials and primary products, focusing instead on how better to use and improve the movement of people and goods and to upgrade transportation efficiency and quality. If these points are ignored, our planning will lag behind the needs of the times.

On the basis of the foregoing appreciation, we believe that the pattern of highways in the overall transportation network as well as the planning and building of them has to take full account of the following three matters:

(1) A local road system that has as its primary function the linking together of cities and the countryside and medium size and small cities, this system to include all county and township roads plus most provincial and municipal trunkline highways. This system would be strongly local in character, with provinces (or cities and autonomous regions) being responsible for planning and organizing it. To accomplish this, provinces (cities and autonomous regions) would have to be assured sufficient financial and material resources.

(2) A national trunk highway system that connects large and medium size cities plus major ports and airfields, and that forms, together with railroads, a joint land transportation transportation trunkline network. This would include existing national highway trunklines plus some highways for the hauling of coal for distribution of goods from ports, and the building of highways. This system would be centrally planned and organized by the state. When state funds are inadequate, consideration could be given to joint investment by the central government and local governments; however, it would be necessary to make sure that local governments would not have to provide too much investment, otherwise local governments' construction and improvement of local highways would be adversely affected.

Over the short term, highway construction should be concentrated in economically developed areas fanning out from large and small economic centers and radiating from the seacoast inland. It would include the building of major trunkline highways of decisive importance to regional development such as the Beijing-Tanggu and the Guangzhou-Shenzhen expressways, and the improvement of trunk highways that parallel railroads or highways that directly link large and medium size cities and that are markedly deficient in providing good transportation over distances. It would include improvement of service. Trunklines carrying a high volume of traffic would have to solve problems in the mix of freight and passenger transportation and operate fast and slow trains on different tracks. In provinces that have not yet been developed, new trunk highways should be built.

(3) In frontier areas (notably Xinjiang and Xizang), a transportation system should be built that consists primarily of roads and airlines that is closely linked to national defense needs but that is used by both the armed forces and the civilian sector for national defense and economic purposes.

3. Scale of Road Construction During the Seventh 5-year Plan

In view of the objective of quadrupling of the country's gross output value of industry and agriculture by the end of this century, and strategic planning calling for two steps to achieve this goal, by how much should road transportation multiple? What level should the building of roads achieve for a balance among all modes of transportation, to build overall transportation capacity, to satisfy needs of society and of production, and to insure planned coordinated development of the national economy? On the basis of major economic indicators for this century, through reference to historical development and to road traffic volume and production created as a result of industrialization in foreign countries and to proportional relationships among the various needs of society, and through taking into consideration the new transportation situation brought about by changes in the structure of industry and in the regional economic structure as a result of reforms and opening to the outside world, authorities have predicted road traffic volume will reach more than 20 billion tons by 2000. This will be a five fold increase or more over 1980. If road transportation is looked at in terms of a moderate level of service, average vehicle speeds on trunk highways will be 50 percent higher than at present reaching 46 kilometers per hour, and average vehicle speeds over the road system will increase by one-third reaching 37 kilometers per hour. Virtually every township and town will be served by roads. On the basis of these speeds and percentages, between 1.2 and 1.5 million kilometers of roads will be needed for the whole country. This includes 15,000 kilometers of expressway and first class roads, between 100,000 and 110,000 kilometers of second class roads, and between 400,000 and 500,000 kilometers of third class roads or one-third of the total road distance. Between 450,000 and 500,000 kilometers of road will have high grade or secondary grade surfaces. This will require an investment of between 165 and 170 billion yuan at current prices and costs. The crux in exceeding this goal will be funds. We should neither onesidedly emphasize a shortage of funds as a reason for not going ahead with transportation first, and building roads as the first form of transportation, nor should we do more than national financial and material resources permit. We have to take into consideration the national shortage of funds, use limited funds where they will do the most good, and make sure that they are invested in the building of key road projects that are urgently needed and from which quick results can be obtained from small investment so as to derive the most social benefit as early as possible.

Strategic plans for development of the national economy call mostly for the laying of a good foundation, the husbanding of strength and the creation of conditions during the first 10 years of the last two decades of this century to enter a period of vigorous new economic construction during the last 10 years. Road construction should likewise be done in two steps. During the first 10 years, efforts should be devoted to turning around the shortage of road transportation; during the second 10 years, efforts should go to opening up new areas to road transportation. But, 5 of the first 10 years have already passed without any change for the better in the backward state and short supply of roads. On the contrary, the situation has worsened. Firm grip has to be taken on the fine opportunity and the crucial period provided during the remaining 5 years to make sure that during the Seventh 5-year Plan period that simultaneous with looking after increased needs for current years, consideration will also be given to paying up the debt that has accumulated over the years as a result of the shortchanging of road transportation. Then, during the last 10 years, it will be possible to enter a new period of vigorous economic growth in which needed transportation capacity will be made ready, thereby laying a good foundation to meet the needs of the national economy. On this basis, in 1990 roads in should be able to handle between 9 and 10 billion tons of freight (including between 2.5 and 3 billion tons of rural freight), and between 8.5 and 9.5 billion passengers (including non-collective enterprises). By the end of the Seventh 5-year Plan, the country should have approximately 1.1 million kilometers of roads. But, inasmuch as there will be a shortage of funds and materials for investment in road construction during the Seventh 5-year Plan, and since time will be needed for preparatory work during the previous period and there will be a shortage of technical equipment. the policy to be followed should be mostly one of a combination of improvements and new construction with improvements being paramount. Emphasis should be on improving the traffic capacity of key economic trunk highways, on improving busy roads for the transportation of energy from energy bases and for distribution of freight from ports, stations and open cities, branch roads connecting to railroads and roads carrying goods into and out of large and medium size cities. Various methods should be used to build county and township roads and to hasten road construction in impoverished areas. By the end of the Seventh 5-year Plan period, road distance for the whole country should be a minimum of 1 million kilometers.

There should be 5,000 kilometers of expressway and first class roads. An estimated 5,000 kilometers of expressway and first class road sections should be built that are able to accommodate 5,000 vehicles per day. By the end of the Sixth Five-year Plan,, the country should have 500 kilometers of first class roads; by the end of the Seventh 5-year Plan, it should have 2,000 kilometers, with another 2,500 kilometers being constructed over a period of time as local conditions require. Some areas can build roads in sections, while other areas can take over land at a single time to build two way roads for the sole use of motor vehicles after which they can build additional roads as transportation volume increases.

There should be 40,000 kilometers of second class roads. By the end of the Sixth Five-year Plan, there should be 20,000 kilometers of second class or better roads. Analysis shows that where the volume of mixed kinds of traffic reaches 3,500 vehicles per day, the road should be improved to second class standards (this is a minimum standard). We believe that this can be entirely attainable with effort.

There should be 180,000 kilometers of third class roads (including some high traffic county and township roads). Road sections on which traffic volume reaches 1,000 vehicles per day and night should generally be improved to third class road standards.

Efforts should be made to put a high quality or second quality surface on 300,000 kilometers of roads, depending on availability of materials. Where traffic volume per day and night reached 500 vehicles, by the end of the Seventh 5-year Plan between 350,000 and 400,000 kilometers should be roads with an oil residue topping. Since both funds and materials will likely be insufficient, some macadam roads carrying 500 vehicles per day and night will not be improved.

There should be 700,000 kilometers of county and township roads. On road sections where traffic volume reaches 1,000 vehicles per day and night, every effort should be made to build third class roads. Where conditions permit, additional third class roads should be built.

Twenty-eight new free-standing large bridges totaling 37,000 linear meters should be built (including rebuilding of some dangerous bridges).

If this goal is achieved, by the end of the Seventh 5-year Plan 80 percent of all roads will be able to carry a substantial volume of traffic, and average speed on trunk highways will reach 41 kilometers per hour. Transportation costs will be lowered by approximately 12.5 percent (not counting vehicle replacement or structural changes). Figured in 1990 terms, the newly added 100,000 kilometers of roads surfaced with oil residue should save 500,000 tons of gasoline (or diesel fuel) that year. Ninety-five percent of China's townships and more than 85 percent of its villages will be served by roads.

The following several ideas are suggested for gathering road construction funds to hasten road construction:

1. Appropriate increase in the collection of fees for road maintenance and expansion of the scope of collection.

To insure a steady source of income for road construction over a long period of time, in addition to the collection of road maintenance funds should be the collection of a vehicle purchase surcharge on all purchases of motor vehicles by units or individuals including national organizations and the armed forces.

3. State investment in road construction should, at minimum, be at the same level as the energy transportation fees that the state collects from road maintenance fees.

4. A system of "civilian operation with public support and construction by civilian labor" should be instituted under leadership of government organizations at all levels, the state providing subsidies, local jurisdictions gathering together funds, and the masses performing labor. Local amassing of funds is to include local jurisdictions help in taking over land, razing and moving of structure, payments for labor, and payments of funds from local treasuries.

5. Emphasis should be placed on preparatory work for projects, active efforts made to incorporate projects into state intermediate term and longterm plans and annual plans, with interest-free and uncompensated loans being made.

6. Collection of fees for newly built large bridges, expressway motor roads and tunnels.

7. Reform of the system to allow for placement of tenders, contracting and use of new techniques; measures for bolstering project construction and management of construction, and lowering of project costs.

If it is possible for the state to find the funds somewhere, it is hoped that more roads can be improved and upgraded so that road conditions will change markedly during the Seventh 5-Year Plan.

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ON SUCCESSFUL ECONOMIC DEVELOPMENT IN HONG KONG, ELSEWHERE

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 9, Sep 85 pp 10-16

[Article based on lecture by Chen Kunyao [7115 0981 5069], director of the Asian Studies Center of Hong Kong University: "Experiences of the 'Four Small Dragons' in Economic Development and Problems in Special Zones"]

[Text] The economies of Hong Kong, South Korea, Taiwan and Singapore have developed very fast during the past 20 years. Because they have many similarities and have had a similar pattern of development, they have been termed the "four small dragons." China with its large land area cannot emulate the "four small dragons;" however, if China is discussed in terms of very many regions such as economic zones, then it is similar in many ways to the "four small dragons." Both Zhuhai and Xiamen resemble Hong Kong and Singapore, and one can examine experiences in their development. Therefore, to look at China in terms of the countries and regions that make up the "four small dragons" still has certain advantages.

1. Four Stages of Industrialization

When talking about modernization, we frequently consider industrial development to be modernization. Good performance in industry entails going through many different stages, which may be divided into the first phase of import replacement, the second phase of import replacement, the first phase of export guidance and the second phase of export guidance. In making these distinctions, we do not mean to say that economic development in every country has to go through these stages; yet, one can look at a place's industrialization in terms of different stages. The traditional explanation has been that in the process of developing industry, there has to be import replacement. During the first phase of import replacement, labor intensive industries develop. Imports consist of labor intensive ordinary industrial goods such as raw materials and machinery. During the second phase, it is also unnecessary to import the means of production; one also has to produce them oneself. Comparatively speaking, a country does not necessarily benefit more from producing the means of production or machinery; therefore, it becomes increasingly difficult to carry out the second phase of import replacement. No matter how much a country lags behind in natural resources, it can still benefit in some ways more than others at any given time. This is the traditional method of industrialization.

Later on, however, there is yet another industrialization possibility, namely export guidance, by which is meant production of some simple, labor intensive industries, exporting to foreign countries, earning foreign exchange in return, and using the foreign exchange to buy other things. Since the question of comparative interest initially is still the operation of some labor intensive industries, this is the first stage of export guidance. Later on when your foundation has become firm, you can engage in some technologically intensive industries. This is the second phase of export guidance.

Hong Kong is a tiny place completely lacking in conditions for import replacement. Import replacement requires a very large internal market. During the initial phase of industrialization, Hong Kong's population was about 2 million--a very small market--so Hong Kong could not engage in import replacement. Hong Kong began with the third stage (the first phase of export guidance). Singapore differs from Hong Kong in many ways. For a time, Singapore practiced import replacement. Of course, Singapore has an even smaller population than Hong Kong, so it planned on uniting with Malaysia to form a federation, but that did not work out subsequently, so it separated from Malaysia. So it is still like Hong Kong in that it began with the first phase of export guidance. South Korea and Taiwan are somewhat different cases. They are a little larger, so they can engage in import replacement. Taiwan began industrialization in the 1950's, and South Korea began industrialization during the early 1960's. They both began with the first phase of import replacement. If you are going to replace imports, you have to use very many government policies, because during the first phase of industrial development you cannot compete with goods imported from outside. One simple method is to collect high customs duties to jack up the price of imports, carry out protectionism, and protect one's own industry. This is a policy for import replacement; there is no other way. Protection now raises costs of one's own products and temporarily sacrifices the interests of consumers. But viewed in long-range terms, protection of one's own industry also has definite advantages. Consequently, during the 1950's and 1960's, South Korea and Taiwan engaged in this kind of protection. They made very simple industrial manufactures and imported machinery and the means of production. By the late 1950's, Taiwan's production of labor intensive products had stagnated; they had to change their policies. Traditionally speaking, the late stage of the first phase is the time for the second phase of import replacement. Taiwan did this, but circumstances were not good. This was because the most beneficial thing for Taiwan at the time was not the production of means of production, heavy industry, and technologically intensive industries. Taiwan's greatest interest did not lie in these areas. Therefore, Taiwan engaged in a very short second phase of import replacement and then abandoned it. This was the reason for Taiwan's later success. This was also the case for South Korea, which went through the first phase of import replacement during the early 1960's and protected its own industry. During the mid-1960's, it found it very difficult to practice the second phase of import replacement, since South Korea's relative interest did not lie in heavy industry or in production of the means of production. As a result, South Korea also leaped into the third phase very quickly. During the mid-1960's, all of the "four small dragons" were in the third stage of development, namely the first phase of export guidance. During the mid-1960's, all of the small dragons developed. Why couldn't other places succeed? India, with a large area and a huge population, a very long history and quite a few natural resources did not develop. Why? It was because it engaged in the first phase of import replacement for a very long time, and then engaged in the second phase of import replacement afterward. India encountered very great difficulties. It did not have the skills and other requirements in being to do the job, but it still built its own heavy industry and technologically intensive industries; however,it did not succeed.Nevertheless,the Indians had very strong confidence and persevered right up until the present time, but they have still not succeeded. They are stuck in this period and cannot get out. India is a very good example that provides experience in failure. Nor will India open itself up. Up until the time of the "gang of four," China would not open up either. It protected its own markets and used maximum protectionism to protect its own economy believing that it was not succeeding because of such a large population. At the beginning of the 1970's, India saw how the "four small dragons" had succeeded and wanted to emulate the export guidance. But it was too late because all the markets had been taken over by the "four small dragons." So India is still at this stage. Very many countries are like India. They are unable to free themselves from the second stage of industrialization. They simply do not understand the importance of export guidance, supposing that since their own markets are very large they do not need to export.

We can arrive at some conclusions as a result of experiences in the world's economic development and the success of the "four small dragons." An industrialization policy is a policy of export guidance. Simply stated, export guidance means opening up to the outside world. Thus I believe that although there may be very many policies that China may discuss and revise during the next several years, in terms of overall direction, China is on the right path.World experience in economic development shows it is necessary to open up to the outside world.

Why are export guidance policies good policies? Because the practice of protectionism is bad for the distribution of natural resources and economic efficiency is very low. Distribution of resources is the highest goal in the study of economics. Economics means thinking of ways to distribute resources most efficiently. If you practice protectionism, that will make efficiency very low in the distribution of resources. During the initial export period, competitiveness will be very low. If you force goods into international markets, frequently some subsidization will have to be done. From the standpoint of economics, subsidies to help exports are a little better than protection to raise the price of one's own goods. If you want to break into the international market, you have to find some relative interest that is nearest to you. Every place has its own relative interest; even backward countries also have their own relative interests. If you engage in import replacement, there will be many chances to assess matters incorrectly, for doing things wrong without realizing it, and for continuing on in the wrong direction. But when you engage in export guidance, if your relative interests are wrong, you will be unable to break open external markets and you will have to revise them. Hence, when engaging in export, possibilities of making mistakes are few in the distribution of natural resources and in finding one's own relative interests.

There is another very important theory. In the realm of accumulations, western economists maintain that sole reliance on internal capital for a country's economic development is not enough. For a country to save up a lot of money is also of no use. Economic development requires use of two kinds of capital, namely both internal and external capital. The reason is very simple:not all countries have all kinds of resources. You, yourself, may have a vast amount of money, but there are still many things you cannot buy. You must have capital from outside in order to be able to buy things from outside. The money is divided into two kinds: internal money and external money for different uses. This is because an economy's development still has to depend on external resources. Quite often, because your country is a backward one, your own money cannot be used to buy things from abroad. China is an example. There are very many backward countries whose money cannot be used to buy resources from abroad.It is thus necessary to rely on one's own savings on the one hand and to find foreign resources as well. How does one obtain foreign resources? There are two ways. One is to import foreign capital; the other is to export. If you want to earn foreign exchange, the most active way is through exports. Importation of foreign capital is passive. If the funds do not come, there is nothing you can do. Why is export guidance a better policy for economic development? After you have imported capital, you can raise productivity and step up your own economic development. When foreign capital and foreign exchange increase and when more machinery and technology are introduced, productivity can be raised and the economy grows rapidly. So, the economic theory that economic development has to depend on two kinds of capital is definitely reasonable. Therefore, opening to the outside world is an important reason for economic development. Western economists discussed this problem long ago. But to know this principle is not enough. How does one put export guidance into practice? Not every country's economic development can opt for economic development at the very outset, because you still do not have an economic foundation. Neither Taiwan nor South Korea went in for export guidance at the outset, but went through a period of import replacement.The first phase of import replacement was the foundation. Without this foundation, how can your exports compete with those from foreign countries? Hong Kong and Singapore had no import replacement at all. They used export guidance from the very beginning. But, we should not forget that both Hong Kong and Singapore also had a foundation preparation period. Even before they industrialized, they engaged in entrepot trade, and the entrepot trade requires enormous capital construction, plus extensive trade experience and contacts. So they could opt for export guidance from the very outset.

2. Role of Various Production Factors During the Export Guidance Stage

How were the "four small dragons," particularly Hong Kong, able to do a good job of export guidance? If every country did a good job of export guidance and was successful, there would be no poor countries. But matters are not this simple. Export guidance is only a direction. Once one has a direction, one has to have other conditions as well that can be developed. We can look at the success of the "four small dragons" in terms of economics, politics and culture. In the economic realm, if you want to go in for economic development, and if you want to achieve strong competitiveness, both from the standpoint of western economics and from the standpoint of Marxist economic thinking, production factors are naturally very important. Western economists say that there are four production factors. The first is labor; the second is capital; the third is entreprenural spirit; and the fourth is land. Every kind of production needs these four things. If you want to engage in export guidance, during the first phase of export guidance of labor intensive industry, it is fine if wages are not necessarily low. The amount of wages has to be discussed together with productivity. If your wages are low and productivity is lower, that would be completely useless. So wages have to be at a reasonable level,and at a level that is very highly competitive. Achieving this means, first, that there can be no monopoly on the labor market. In foreign countries, trade unions are frequently too strong, as in the United Kingdom where trade unions have enormous power. They can strike at any minute. So monopoly is trade union monopoly. If trade unions have a monopoly on labor, wage levels cannot be reasonable, and competitiveness cannot be very great. In addition to this, worker productivity is also very important. Labor productivity is related to workers' cultural levels, how diligent they are, and how much education and training they have had. In Hong Kong, trade unions do not work for the workers' welfare; they wrangle about political issues. So no monopoly of the labor market has taken place. In Singapore, South Korea and Taiwan, the governments have immense power. They suppress trade unions and trade unions can do nothing about it. The "four small dragons" have no trade unions to monopolize the labor market, so wage levels are at a competitive level. Yet another element affecting workers' wages is how mobile labor is. If workers are not highly mobile, capitalists can control them because you cannot get away. Workers with strong mobility are better off.

As far as education is concerned, one feature of the "four small dragons" is that the educational level of the average worker is higher than in very many third world countries. I think this has something to do with Chinese culture. They have been influenced by Confucian thinking. Confucian thinking sets great store by education. Some people believe that this has had a bearing on the economic development and the fairly complete legal systems of the "four small dragons." But the facts are otherwise. The laws in developing countries often are intended to help the workers; however, unless the whole economy develops, very many workers will have no work to do and the workers themselves are the one's who suffer. Consequently,they hurt the workers. The "four small dragons" do not have this problem, but I'm afraid Taiwan has it a little. Capital is important, of course and when savings are insufficient, it is necessary to use foreign capital. The "four small dragons" use foreign capital, and they are able to use foreign capital very well. Using foreign capital very well means that domestic enterprises and foreign transnational companies work together to bring benefits from outside into domestic enterprises. If China were to import capital with foreign enterprises doing their thing and Chinese enterprises doing their thing, that would be of no use.

Entrepreneural spirit is important, and a spirit of adaptation among entrepreneurs is even more important. In Hong Kong, entrepreneurs from Shanghai take the lead. This is related to culture. It is Confucian culture; it is a traditional way of thinking. Under traditional thinking, Chinese workers want to become the boss all of a sudden. This is very natural. The west is different. They only want to have automobiles and houses and that's all. Hong Kong, Taiwan and South Korea are like this, but Singapore is not. Medium and small enterprises play a very good role, particularly during the first phase of export guidance.

If one asks a Singaporean what he would like to do in the future, his answer is to be on the staff of a transnational company. In Hong Kong, the answer is different. He wants to become the boss. The difference in thinking is because Singapore has not diffused the entreprenural spirit. Singapore was an entrepot for a long time engaging mostly in business and without an industrial entreprenural spirit. Prospects were not favorable. One should not emulate the Singapore example. If suddenly there is a crisis and foreign capital flees, it will be hopeless. Forty-five percent of Singapore's exports of industrial manufactures today come from transnational companies. If the transnational companies fail, it will have only 25 percent of exports left. Only 16 percent of Hong Kong's exports of industrial manufactures are from transnational companies. Hong Kong's economy belongs to Hong Kong, while Singapore's economy belongs to the transnational companies.

In South Korea, numerous entrepreneurs are not from South Korea. Korea's center is in the north, not in the south. It was only because of the split that they fled from the north to the south, and this is the source of South Korea's entrepreneurs. Taiwan had no industry. When the Japanese were in Taiwan they only went in for some agriculture. Once mainland entrepreneurs fled to Taiwan, Taiwan's entrepreneurs also fanned out.

Hong Kong's land policy has been severely criticized. Government intervention in land has been formidable, but it has had its good and its bad aspects. The good aspect has been development of many new market towns; the bad aspect has been government monopolization of land; it is a government preserve. Some people criticize the government for only selling the land and sending the money back to the United Kingdom, but this is unfair. The British are a little bit "clever;" the Hong Kong government puts its money in United Kingdom banks which pay interest that is lower than the world market rate. Aviation rights are also assigned to British aviation companies. Hong Kong has an inadequate supply of land, which is not good for development of the economy.

During the first phase of export guidance, an inadequate supply of land is not a large problem, but if one wants to develop heavy industry an inadequate supply of land is a big problem. Hong Kong's inadequate supply of land and lack of a long-term plan prevents development of Hong Kong's economy. Hong Kong land prices are very high. During the initial export period when export is a labor intensive enterprise carried on mostly by medium and small enterprises, insufficent land remains a not very large problem. Numerous small plants are mixed in with civilian houses. If heavy industry or knowledge-intensive industries are developed, insufficient land becomes a big problem.

In the final analysis, economic factors are dependent on market function, that is to say the role of the market is paramount and the role of government is ancillary. Do not suppose that the Hong Kong government does not intervene in the economy. That is inaccurate. Hong Kong 's intervention is least. In Taiwan, South Korea and Singapore, there is much intervention. Not only is there intervention, but their governments also control large amounts of industry and commerce, approximately 30 percent of them. To control these enterprises, the governments use very many methods. Do not suppose that all the enterprises in the "four small dragons" of Asia are private enterprises; many are owned by the state.

In addition to the four factors of labor, capital, entreprenural spirit and land, there is yet another factor, namely technology. The more freedom the better for labor, capital, entreprenural spirit and land; the market can play its role to the full. But with the element of technology, without government intervention technology would surely not develop. There is no experience and no foundation. Without government intervention and subsidies, production technology could not improve. This is because the development of technology is a very big problem. Individual interests and society's interest are very different. In the United States, for many industrial inventions and technical inventions the individual person remuneration rate is 25 percent but the social remuneration rate is 56 percent. This is a very serious problem. The Hong Kong government's non-intervention in technology is a mistake. During the initial phase of exports when products are labor intensive and technical requirements are not high, it doesn't matter much if government does not help individuals pursue technology. But this will not do for continued development. Both the South Korean and Singapore governments took action early to help development of technology. They realized that remuneration to individuals and to society were different. The biggest problem with the Hong Kong government is that it did not see the technology issue accurately. A free market cannot play the maximum role in every field; the market is not omnipotent. The market can solve a lot of problems and it distributes capital very well. Sometimes when social and individual remuneration differ, the government should certainly interfere. Hong Kong has been lucky. It has exported labor intensive products for the past 20 years for which technical factors have not been important, so no problems arose.

Hong Kong has successful experiences, but what problems exist? In going from the first phase of exports to the second phase of exports, in comparison with the other three "small dragons," there are many problems with its products. The crux is that a good job has not been done in technology. Development of technology cannot rely solely on private enterprise.

Economic and cultural development are closely related. During the past several years, anthropologists have been discussing the issue of the "four small dragons," and thinking back and forth that economic success contains non-economic elements. The "four small dragons" and Japan are connected to the Chinese cultural tradition, i.e., they are related to Confucius. No place in the world has had a 10 percent speed of growth except the places that eat with chopsticks. Consequently, "chopstick culture," and "chopstick economics" doctrines can maintain a 10 percent speed of economic growth. During the past 2 years, China has also had this speed of growth.

This "chopstick culture" is related to Confucius, namely in education, in the patriarchial system, social class concepts, and nationalist economies. These things are antithetical to modernization; however they are advantageous during the first export phase. They can stabilize society, which is a prerequisite for economic development.

According to Confucian culture, men of talent become officials. This is a very good thing because it can increase government efficiency and this is advantageous for development of the economy. This is very marked in Japan. Things are not this way in the United Kingdom and the United States. In the United States the best people become lawyers and make a lot of money.

Certainly Confucian culture also has disadvantageous elements such as the disdain of profit by men of noble character and the relegation of business to a very low status. These disadvantageous elements have become advantageous elements in the "four small dragons." Why? The governments of the "four small dragons" are very authoritarian and practice dictatorship. Talented people cannot engage in government and agriculture is not important in these places, so they go into industry and commerce.

This is a linking of cultural origins and the economy. This relationship, particularly Confucian thinking, can have a bad aspect during the second phase of exports. Family enterprises are disadvantageous for the running of large scale enterprises.

Possibly the reasons for success may be different in the first phase and the second phase of imports.

The political system is closely related to economic development. If you want to develop an economy, you have to have a strong government and an authoritarian government that has a high degree of economic development as its goal. This was the case during the first export phase for Japan and the "four small dragons." Both South Korea and Singapore had numerous financial groups that cooperated closely with the government and played a beneficial role in the economy.

A strong and highly efficient government plays a major role in the economy. The success of the "four small dragons" is attributable to having a combination of government, culture and economics. This was the model for development of the "four small dragons."

In sum, to export requires having highly efficient workers, flexible entrepreneurs, highly efficient administration and management and high accumulations. These are the prime conditions for engaging in exports.

The competitiveness of every country lies in competition in wages and technology, and technology has to be out in front. The "four small dragons" had no "edge" in technology; it was very difficult for them to develop and other countries pursued very rapidly. Malaysia, India and Thailand pursued them very hard. Because wages are very low in these countries, the "four small dragons" could be overtaken by other countries very early. During the early 1970's South Korea built shipbuilding, electrical machinery and chemical industries; however, luck was against them. These are all labor intensive industries and it was at this time that the petroleum crisis occurred. During the mid-1970's it was Taiwan, during the late 1970's it was Singapore, and today it is Hong Kong that is preparing to go into these industries.

Some people say that if the "four small dragons" take over the markets, what will China export? I don't think this will necessarily be a problem. Right now the "four small dragons" are entering the second phase of export guidance, and this will give China an opening. There is the "wild goose theory" that at various stages the economies of individual countries take off like row after row of geese. Japan took the lead; wages increased rapidly in the "four small dragons," and China's "luck" should be better than India's. During the early 1970's South America also started up in places like Brazil and Mexico, but they were too impatient. They ran when the "four small dragons" had not yet run. China should not be impatient in developing exports. It should do a good job on the first phase of export guidance and then go on to the second phase. In studying development of China's economy, one should look at the history of development of the whole world's economy. This is of definite reference value.

One of the problems in going from the first phase to the second phase in export guidance is markets and the second problem is technology. Why are markets important? In order for products to break into markets, one's own goods have to be tested in the markets and then take over the markets. This is what Japan did. The markets of the "four small dragons" are small, for them it is not a problem to open up world markets suddenly. After several years of effort, South Korea exported automobiles to Canada and the United States to enter world markets. According to the "wild goose theory," Japan will race ahead or there will be an opening for it to turn. South Korea did a good job of shipbuilding. Japan built big ones and high ones, and South Korea built small ones and low ones. Hong Kong's biggest problem is not giving serious attention to the development of technology. If the Hong Kong government would change its policies a little bit, in view of the large market with which it has close relations in China, its prospects would be better than for any of the "small dragons." The Hong Kong government holds the views that the reason things went so well in the past was that the government refrained entirely from interference and refrained entirely from having anything to do with developing technology. In fact, they do not understand that technological development has different stages,and requirements during the first and second phases of export guidance differ requiring different policies. The Hong Kong government has not understood this point right up to the present time. Hong Kong has been too greatly influenced by colonial policies.It is now entering a transitional stage and future policies will be a little more open and Hong Kong will have prospects. Otherwise the change from the first to the second phase of export guidance will be even more difficult.

3. Evaluation of the Special Economic Zones

A friend asked me whether my criticisms of the special economic zones was not excessive. In the past, criticism of the special economic zones was done from static discussion of the special economic zones, and they should be looked at dynamically. The economic development of the "four small dragons" just discussed had a preparatory period; they did not suddenly becoming exporting places. The preparatory period may be a period of entrepot trade. The economic zones have done not done a bad job of trade, but they have bought some things cheaply and sold them at a high price; tax collection has not risen; and much money has been earned. This is not good. This is a management problem. The special economic zones have a tax collection problem. The economic zones are entrepot places; they are a very good experience for international trade. So the special economic zones use tax reduction or exemption from taxes, taxes being collected when goods leave the special zones. What is wrong with this? Hong Kong and Singapore do the same thing, so when Shenzhen does it, what is wrong with that? International trade experience is not something that can be learned in an instant;but it can be learned through entrepot trade. What is bad now is that the special zones use reduction or exemption from taxes to sell things inside China. If some things are used in the special zones, tax collection may be reduced or waived; when they are taken into inland China, the same price is collected as for other things. This is all right. The criticism is that only 3 to 5 years have passed, so isn't it a little early to criticize; no problems are apparent after several years' time.

As for the "blood tranfusion theory," current figures show 7 percent as being given by the central government and most of the rest coming from bank loans. The central government has a responsibility for giving money to the special zones. Not only does this benefit the special zones, but it is in the interest of all Chinese. This is the economic theory of "extraterritorial benefit." If money is borrowed and repaid, what is wrong with that? Many of the people who criticize the special economic zones are not economists, and they do not understand economic theory.

Why should an enterprise make inventions? Making inventions benefits everybody. This is an "extraterritorial benefit," but it is not to say that the central government provides full support to the economic zones; use of some money to support the special economic zones is correct. Furthermore, borrowing of funds from banks to develop economic zone capital construction is also correct. Without money, how could they be developed? Foreign funds are fine, but if they are not forthcoming, you still have to do capital construction. The pay back period for capital construction is usually around 10 years. But only 3 to 5 years have passed, and you are saying it is no good. What is to be done? Borrowing money and repaying money to do business is the best. The question is whether one understands how to use the borrowed funds. Hainan Island borrowed money to buy automobiles; this was wrong. Shenzhen borrows money for capital construction to bring in foreign capital. It can pay it back in 5, 10 or 20 years, so what is wrong with that? We have to look at it this way. Take Brazil and South Korea as examples. Brazil borrowed an enormous amount of money and owed huge debts but it did not have the ability to repay the money. South Korea also borrowed and had huge debts. In world terms, South Korea has a very high debt ratio, but it has the ability to repay the money, so why shouldn't it borrow? When people in Hong Kong talk about the special economic zones, first they don't understand economics and second they just talk, focusing their attention on non-economic matters. Actually this is an issue that should be discussed only by economists, but those who criticize today are not economists. Economists are relatively sympathetic, and I am relatively sympathetic with the special economic zones. Nevertheless, this is not to say qhere are no problems. The problems are problems of special econoic zone policies. The money spent has not all been on export guidance; spending money on talented people is correct. Shenzhen has operated a lot of training classes and has trained too many people for management. This is not to say that management is not important; however, the important thing is the training of workers. Few workers have had sufficient training and they have had insufficient general education. Not enough money has been spent on this, and not enough attention has been devoted to medium and small enterprises.

If most of the investment in special economic zones has been on theaters, libraries and museums, that is wrong. These are showpieces. Money has been spent wrongly, but they believe that foreigners will go there only if there are such things. Not necessarily. This is a mistaken idea. I am not saying that everything in the special economic zones is all right, but I am saying that in criticizing the special economic zones, people have not criticized the things that should be criticized, and they have criticized things that should not be criticized.

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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

DISCUSSION OF ECONOMIC REFORM, ECONOMIC LAW

Wuhan WUHAN DAXUE XUEBAO [JOURNAL OF THE WUHAN UNIVERSITY] in Chinese No 4, 1985 pp 27-32

[Article by Luo Mingda [5012 2494 6671]: "On the Reform of the Economic System and Economic Law"]

[Text] The Resolution of the CPC Central Committee on the Reform of the Economic System (hereafter, for short, "the Resolution"), adopted at the 3d Plenum of the 12th CPC Central Committee, points out: "The reform of our economic system and the development of our national economy require that more and more of our standards and principles of economic relations and economic activities be consolidated in legal form. The legislative organs of the state must speed up economic legislation, the law courts must speed up adjudication of economic cases, the procuratorates must speed up the investigation of economic crimes, and the judicial departments must energetically provide legal service for the benefit of the economic construction." This resolution of the Central Committee amply signifies the extremely close relationship between the reform of the economic system and economic law, and the extremely important place and role that economic law occupies in the reform of the economic system. It is therefore necessary to start a discussions on the topic of economic reform and economic law, combined with the present reform practice, a necessity for the promotion of smooth progress in the reform and for its healthy development as well as for the perfection of our economic law itself.

1. Liberation of the Social Productive Forces, the Essence of the Reform of Our Economic System

The reform of the entire economic system, with the main focus on the cities and with its core link being the strengthening of vitality in our enterprises, that we are presently carrying out is "a reform, conducted on the premise of firmly upholding the socialist system, of the whole series of mutually interrelated linkages and aspects in our production relations and in the superstructure, which we find inconsistent with the development of our productive forces." It is an intensification and development of all the various reforms in town and countryside since the 3d Plenum of the 11th CPC Central Committee. It is another broad and deeply penetrating revolution under the leadership of the CPC, carried out by the Chinese people of all nationalities. The essence of this revolution is the liberation of China's productive forces from the fetters of the present economic system and allowing them to develop and progress with greater speed, greater effectiveness and an abundance of vitality.

The term "economic system" is the collective name for all the various specific systems of the social economic structure and the state's economic controls; it is the concrete reflection and manifestation of certain production relations. According to the fundamental principles of Marxism stating that the production relations must be consonant with the nature of the productive forces and that the superstructure must be consonant with the economic foundation, the economic system of a country must be conditioned by the developmental level of its social productive forces and any other of its national conditions. The economic system that fits the country's developmental level of social productive forces and is consonant with the country's national conditions will have the effect of promoting the development of the productive forces; in the opposite case, it will obstruct and hinder the development of the productive forces.

China's present economic system, established in the early years after the founding of the PRC in emulation of the Soviet economic system of those days, and later gradually developed under the influence of an erroneous "Leftist" guiding ideology, is a highly centralized, unitarian economic system. Under this type of economic system, enterprises actually become appendages of the state's administrative organs. All economic activity has to follow the baton of the administrative organ, while the enterprises lack all the self-determination that should be theirs in matters of production and business operations. The inevitable result was a fusion of governmental administrative and enterprise business functions, a divisiveness between central and local authorities, the phenomenon of "all helping themselves from the public pot," a situation which seriously hampered production and business enthusiasm in the enterprises and among the broad masses of staff and workers, strangled all vitality in the socialist economy and fettered the development of the social productive forces.

As to the sources of its ideology, the present economic system with its excessive centralization is closely linked with the immutably fixed concept of an absolute nature of the socialist planned economy, a concept that does not recognize or does not fundamentally recognize the historical necessity of developing commodity economy during the socialist stage. In other words, this "Leftist" immutably fixed concept is the theoretical foundation of our present highly centralized economic system. It is precisely because of this "Leftist" immutably fixed concept that people regard planned economy and commodity economy as antagonistic opposites. The commodity production and commodity exchanges that objectively exist during the socialist stage are erroneously regarded as something that "has to be restrained under the proletarian dictatorship," and that must not be allowed to develop, otherwise it would lead to "revisionism" or "capitalism." It must be pointed out that this "Leftist" immutably fixed concept, which is divorced from reality, and the economic system that formed and developed under the guidance of this concept is not consonant with the realities of the socialist stage, is divorced from the present developmental level of China's productive forces and is not in harmony with China's national condition.

The practice of socialist construction has proven that since production has not yet developed to a high degree and social products are not yet available in abundance, the ownership system in the socialist stage not only maintains the two forms of public ownership, namely ownership by the whole people and ownership by the collectives of the masses, but also preserves individual economy and other economic patterns as complements to the public ownership economy of socialism. Between all economic entities, social organizations and the broad masses of workers, there still exist, in addition to the community of basic interests, the special individual interests of each group, and the exchanges of labor between them can only take place on the principle of mutual exchanges of equal labor. The existence and development of commodity economy throughout the entire historical stage of socialism is therefore inevitable. Maintaining an accurate view of the objective reality and proceeding on the only way that history prescribes will lead to the development of production and prosperity of all undertakings. In the opposite case, one will have to suffer the penalties of the objective law. This is the way of historical dialectics.

A great contribution in theory and practice made by the 3d Plenum of the 12th CPC Central Committee was its scientific summing up of the historical experiences of socialist construction and its recognition, based on an integration of the cardinal principles of Marxism with the Chinese reality, that socialist economy "is a commodity economy on the foundation of a public ownmership system," thus providing a firm theoretical foundation for the reform of the entire economic system with its main focus on the cities. The task that we are now faced with is to have to take this theory as our guideline in resolutely breaking down the fetters of the leftist erroneous guiding ideology and of other outworn concepts. We must thoroughly reform the present economic system that has for a long time restrained the development of China's social productive forces and must start out from the realities of China's condition in going our own road to build up a socialist economic system with Chinese characteristics, filled with an abundance of vitality, to promote the development of our social productive forces.

2. Economic Law, an Important Legal Weapon That Guarantees the Smooth Realization of the Reform of Our Economic System

The reform of the economic system is a deeply penetrating social revolution for the liberation of productive forces. Our complete victory in this revolution is decisive for the fundamental turn for the better in the country's finances and economy, for the realization of the struggle objective set by the 12th CPC Central Committee, namely of quadrupling the gross industrial and agricultural output value by the end of this century, as it is equally important for building China into a modern, strong socialist state with a high degree of material and spiritual civilization. The reform is therefore presently the principal concern of the entire party and all the people of the nation, as it is the country's overall great affair. All other work must directly or indirectly serve this objective and submit to its test as to whether any such other work is to be pursued or not. Economic law, which regulates the economic relations, is an important sector of our socialist legal system; it is an important tool used by the state to guide, organize and control the national economy. Because it is so much closer to the basic economic relations, it is so much more sensitive in its reactions to developments and changes in the economic foundation, and more substantial and forceful in its impact on the foundation. Its special function and mission is therefore to safeguard the smooth progress and healthy development of the reform and to provide the legal weapon for the realization of the reform objectives.

(1) Economic law is legal assurance for the mobilization and organization of the people to devote themselves to the practices of the reform.

The reform of China's economic structure conforms to the demands of the historical development of society, is consonant with the objective economic law and manifests the interests and aspirations of the people. This is why the reform is warmly endorsed and supported by the masses. However, due to the long-term influence of an erroneous "Leftist" guiding ideology and the many policy changes, to which must also be added the occasional wilful encroachment on the citizens' activities of gaining prosperity through work, the people generally hope for the state to consolidate in law its policy of reform, of opening up and of invigorating the economy, so that their lawful interests will receive the recognition and protection of the law. This state of mind among the people, namely of having more faith in law than in policies, reflects a lingering fear of the "Leftist" errors of the past. However, it also explains that economic law, providing affirmative, clear, definite and generally applicable norms, is indeed highly effective in reassuring, mobilizing and organizing the masses to devote themselves to the practices of the reform.

(2) Economic law is to straighten out whatever improper economic relations come to light during the reform as requiring adjustments, and economic law is also an important legal weapon to remove all interferences and obstructions.

During the reform of the economic system, following the separation of government administration and enterprise management and the broadening of self-determination for the enterprises, the lateral economic relations continuously increased and economic intercourse rapidly blossomed forth. This is evidence for the fact that the nation's economy recovered its vitality, and is the inevitable result of the reform. However, since the reform is a deeply penetrating revolution, it is unavoidable that encroachments and obstructions of various kinds should also occur. Conspicuous instances of such are the cases in the ealier stages when economic organizations or citizens took advantage of the reform to commit violations of the state's plan and laws, to conduct improper competition, to arbitrarily raise prices, to indiscriminately issue bonuses or materials, and when some party or government organs used the powers of office to run enterprises for personal gain, etc. It is for this reason that economic law, through its regulation of economic relations, moves the reform on to the track of the socialist legal system and provides a powerful protection for all those economic relations and economic activities that conform to the demands of the reform and are capable of promoting the development of the productive forces. It will resolutely suppress and mete out punishment if economic relations and economic activities run counter to the purpose of the reform, interfere with the progress of the reform and obstruct the development of the productive forces. In this manner economic law becomes the important legal weapon for the regulation of the various economic relations that surface in the course of the reform, for promoting the smooth progress of the reform and to ensure the realization of the reform objectives.

(3) Economic law is an important tool for the strengthening and perfecting of party and government guidance in the reform of the economic system.

The reform of the economic system is a social transformation of broad and deeply penetrating dimensions and of an extremely complex nature, as it is also a grand exploratory and innovative undertaking of mass character, as has never before been carried out. For our complete victory in this reform, it is necessary to strengthen and perfect party and government leadership throughout the entire reform, "change the method of solely relying on administrative measures to control the economy, integrate economic and administrative measures, pay attention to the use of economic levers and to control the economy by means of economic laws." (Footnote 1) Economic laws are party and state economic policies rendered concrete and textually visible in identifiable form as norms. The current economic laws are the overall party and state guidelines for the reform, for the opening up of the country and for the invigoration of the economy, formulated from different viewpoints and dealing with different aspects, possessed of the common characteristics of stability, authoritativeness and general applicability. Using economic law in leading the reform will assist the party and the government in giving meticulous guidance and powerful direction to the reform, will ensure that the entire reform progresses in a planned manner, step by step and in good order, and that victory will be gained with zealous, yet also reliable and safe action.

As a great revolutionary practice, the economic reform possesses an extremely high degree of authoritativeness. If economic law is to fulfill all its functions in the service of the reform of the economic system, it must accurately reflect the objective economic law and give expression to the objective demands of the reform. It has therefore become an urgent task in China's present efforts to build up its legal system, to direct strong efforts toward the building up of its economic laws, based on the demands of the reform of the economic system.

3. Speeding up economic legislation, a pressing demand of the reform.

Just as there have been great achievements in the building up of China's entire socialist legal system since the 3d Plenum of the CPC Central Committee, great achievements have also been made in China's economic legislation. During this period of time, the state formulated and promulgated over 30 economic laws and other documents of important normative nature, regulating economic relations. The documents of normative nature, such as regulations, rules and resolutions, issued by the State Council and its subordinate ministries and commissions number more than 300. These agencies, furthermore, compiled a Plan for 1982 to 1986 Economic Legislation. According to a resolution by the State Council, all state organs at whatever level are in the last few years sorting out, comprehensively, all laws and regulations issued since the establishment of the PRC. Following the 3d Plenum of the 12th CPC Central Committee, the state's legislative organs, according to the "Resolution" of the Central Committee, accelerated the work of economic legislation and again drafted, formulated and promulgated a number of important economic laws. The Third Session of the Sixth NPC deliberated and passed a Resolution on Granting Authority to the State Council To Issue Provisional Regulations or Rules Regarding the Reform of the Economic System and the Opening Up Toward the Outside World. All the above-mentioned laws, regulations and measures have played a very important role in promoting and safeguarding the reform of the entire economic system with its special focus on the cities.

However, we must also realize that due to such factors as the influence of the erroneous "Leftist" ideology, the poor foundation on which China's legal system is being built and the low level from which this buildup starts out, also due to the fact that many current individual economic laws lack normative nature or are of low normative nature, and, furthermore, due to the rapid developments in the state of the reform, economic legislative work can still not yet satisfy all the needs of the reform. In the present social and economic life, the problem of "no law to follow" has not yet been radically solved. It still occasionally happens that the masses speak of conditions that are "rational but not legal" or that are "legal but not rational." Acceleration of economic legislation, therefore, still remains the core link in the building of the legal system, otherwise it will not be possible for economic law to be highly effective in its service to the reform.

How to accelerate economic legislation? I believe the following has to be done, energetically and emphatically:

(1) We must one step further clarify the guiding ideology of economic legislation.

The guiding ideology of legislation is what in jurisprudence is called the legislative motivation or legislative intention. It demands a reply from the legislator to the questions why to legislate and what to legislate, what social effect is to be achieved by the legislation, etc. These questions seem like an ideological line that permeates all the articles of every law; they determine the character of each law, its task, purpose and direction and are the most important and most fundamental questions in all legislative work.

Following the 3d Plenum of the 11th CPC Central Committee and through their efforts to bring order out of chaos, the party and the state restored the Marxist ideological line, political line and organizatinal line, while the focus of work was shifted to economic construction, and the work of socialist modernization was acknowledged by the constitution as the fundamental task of the whole nation. In the last few years, the guiding ideology in our economic legislation was, therefore, generally speaking, a correct one, displaying the spirit of the constitution and consonant with the demands of the reform while also beneficial for the promotion of the development of the productive forces. However, investigating the situation according to practical standards, there are still certain questions that require further clarification, or that must be straightened out one step further. First, some of the current economic laws and regulations still show a tendency to regard planned economy as something absolute and give insufficient attention to the promotion of the development of the socialist commodity economy. They thereby lose, altogether or partly, their effectiveness in the reform as to the regulation of economic relations and thereby also adversely influence their own relative stability. Second, some departments or localities draft state or local economic laws and regulations without giving full consideration to the situation as a whole, some even go so far as to seek to extend their departmental or territorial powers by means of drafting certain laws and regulations. These problems on the one hand reflect the fact that we have not yet thoroughly discarded the fetters of the erroneous "Leftist" guiding ideology or of other outworn concepts, and that our thinking has not yet been fully liberated. On the other hand it also reflects the fact that certain departments or localities are influenced by unhealthy tendencies and still tend to use the powers of office for personal gains.

The "Resolution" of the Central Committee points out: "The fundamental task of socialism is to develop the social productive forces, that is, to enable more and more social wealth to be brought forth, and to continuously satisfy the daily growing material and cultural needs of the people." Economic law is precisely promoting the development of the social productive forces by means of regulating the economic relations. Those working in economic legislative work must therefore firmly espouse the ideology of bringing about legislation that will promote the development of the social productive forces and that will promote the socialist modernization projects. They must use the ideology as the most important criterion to test their own legislative guiding ideology as to whether it is clear, definite and correct. If it should not be thus, our economic legislative work will lose direction, central substance and soul.

(2) Planning all economic legislation must start out from the idea of an accurate coordination of the relationship between an enlivened microeconomy and macroeconomic control.

The core link of the reform of our economic system with special focus on the cities is the effort to strengthen the vitality of our enterprises and invigoration of the microeconomy. However, it is not possible to separate invigoration of the microeconomy from macroeconomic control. Without an enlivened microeconomy, it is of course out of the question to speak of macroeconomic control. In the opposite case, without macroeconomic control, microeconomic invigoration would lose its direction and objective and in the end fail in its purpose. Economic legislation must therefore accurately reflect this inherent relationship of dialectic unity. Whether in our concepts and plans for our entire legislative work, or in the drafting and formulating of a particular piece of legislation, we must always pay attention to coordinate the two accurately to avoid control being lost due to the one-sidedness of legislation macroeconomic or microeconomic endeavors ending in failure.

We must affirm that under the conditions of socialism in China, due to the community of interests between state, collectives and individuals and the comunity of interests between the situation as a whole and its parts, also between the immediate and the remotely future interests, economic legislation not only must, but actually can accurately coordinate microeconomic invigoration and macroeconomic control, ensuring that the national economy will harmoniously develop in a vigorous way without becoming chaotic. As far as legislative work is concerned, the focus of present attention is still on invigorating the microeconomy and energetically developing socialist commodity economy. Invigorating must be carried out solidly and not only in empty words. In the preceding period, some economic organizations, to enable themselves to issue bonuses and materials indiscriminately, indulged in boasting and exaggerating and created only a false image invigorating the economy, while no enterprise was in reality being truly invigorated. According to the provisions in the Central Committee's "Resolution," the criterion for the determination whether an enterprise is truly invigorated should be whether its production has been developed and whether its performance has been improved. The concept and plan in economic legislation must focus on urging the leadership and the masses of staff and workers to apply great skill on economizing in live labor and materialized labor and show themselves truly capable in this respect. We must urge people to achieve high results by starting out from improving enterprise business management, from exploiting potential, renovating, transforming and from the development of intelligence, and not to start out from doing harm to the interests of the state and the consumers and in that way get "results." In summary, coordinating the relationship between invigorating the microeconomy and macroeconomic control is at present an important problem that must be solved in economic legislative work.

(3) We must accelerate local economic legislation on the premise of not conflicting with provisions of the constitution, laws and administrative regulations.

Comrade Deng Xiaoping pointed out as early as in 1978: "We have presently a large volume of legislative work and we are short of manpower. Our laws may therefore first be rather roughly worded, they may later be gradually perfected. Some regulations may be first tried our by localities, to be later, after summing up experiences and improving the regulations, formulated into laws that are to be enforced throughout the country." (2)

In the present reform of the entire economic system with primary focus on the cities, the first important step has been taken. In the course of the reform, many new questions will require prompt decisions which will have to have legal force. Among such questions, those for which legislative conditions have matured, the state's legislative organ may promptly draw up laws. Those that belong in the sphere of administrative norms should be handled by the State Council, which should draw up administrative laws and regulations. In addition, many new complex questions, beyond the sphere that should be regulated by administrative laws and regulations, we still lack practical experiences to solve. These require further exploration and trials, and the state's legislative organs should draw up new or supplemental provisions. In those cases where conditions are not yet ripe for amendments, action should be take according to the "Resolution on Delegating Authority," deliberated and passed at the Third Session of the Sixth NPC. The State Council should then draw up flexible and adaptable provisional regulations or provisional statutes.

Due to the vast territory and huge population of China, extreme differences exist in the economic conditions and level of development of different localities. In order to start out from the actual conditions, the reform must be carried out in conformity with local conditions. Local legislative organs must observe the provisions of the constitution in speedily determining their economic laws and regulations of local nature. Presently, we do not have too many economic laws and regulations of a local nature; they are in fact most inadequate, and not at all in harmony with the developments of economic legislation for the entire country. We must realize that without proper coordination between local economic legislation and such legislation for the entire country, it will be impossible to practically implement the economic laws promulgated by the state, which will have an adverse effect on the efforts of the state to establish a perfect legal system for the whole country.

To strengthen local economic legislation, we must first demand that the local leadership at all levels strengthen their concept of the legal system, raise their own consciousness of law and overcome the attitude of merely following "the will of the boss." Second, we must provide local legislative personnel and raise the quality of their knowledge of economic law and the level of professional ability. Finally, the local economic legislation must form a complete system with the national economic legislation; it must be in line with and of service to the national legislation.. At the same time, economic laws and regulations of a local nature must not conflict with the provisions of the constitution, of pertinent laws, of administrative laws and regulations or with the provisional rules and regulations determined according to the "Resolution on Delegating Authority." Local legislation must also be limited to sectional reform questions within the jurisdiction of the locality in question. If the matter concerns the execution of important reforms of nationwide character, it is the State Council that must effect a uniform disposition. Reforms that have a bearing on the overall situation or affect a broad sphere can only be put into effect after approval by the State Council.

(4) We must integrate this work with the overall cleanup of all laws and regulations issued since the establishment of the PRC and conscientiously do a good job of compiling a compendium of current economic laws and regulations to have them gradually form a complete system.

According to the resolution of the State Council, the central and local state organs are now carrying out a cleanup of all laws and regulations issued since the establishment of the PRC. On the foundation of this work, the state's legislative organs must do a good job of compiling and straightening out the currently valid economic laws and regulations. Those that do not more meet the demands of the reform and of the modernization drive must be revoked in proper legislative procedure. Those that are mutually contradictory must also be readjusted in proper legislative procedure. Where blanks exist, a record should be made in the plan for economic legislation, and action should be taken to fill the gaps, step by step, according to the principle of giving preference to the more important and urgent legislation. Through compilations and adjustments, China's economic laws and regulations shall gradually be shaped into a uniform entity, internally well linked together, to have them observed and implemented by the judicial organs and the entire people.

(5) Close attention must be paid to the scientific nature and feasibility of economic laws and regulations.

Economic legislation is scientific work of greatest gravity. Under no circumstances must it be undertaken carelessly or perfunctorily. Each law or regulation that is to be enacted must have been investigated and studied by an experimental unit. We must possess a large and reliable corpus of legislative data and in addition institute comprehensive scientific deliberations, to get to the state that every new law or regulation will be consonant with reality and science and will be feasible. Only if we recognize that an article is up to standards should we enact that article, but never feel forced to enact an article that we feel is not up to standards; otherwise, no matter how many laws we enact and how fast we enact them, they will be useless, or even have the opposite effect to what we intended.

4. Energetic Development of Education in Economic Law and Training of Personnel Proficient in Economic Law

Comrade Deng Xiaoping said in the "Resolution" that "the most important part is Article 9." "Article 9 says, to put it briefly in four words, 'respect knowledge, respect talent'." (3) This important directive by Comrade Deng Xiaoping is also absolutely applicable to the buildup of the economic legal system. There is a saying: "Having merely law without the means to apply it." Even with the best of economic legislative work, if there is not a large contingent of cadres well versed in economic law to implement it, the laws will not by themselves regulate social economic relations and promote the development of productive forces. Worse still, if the problem of economic law personnel is not solved, it will also not be possible to be truly successful in the work of economic legislation. We must realize that after the thorough implementation of the policy of "opening up toward the outside and invigorating the domestic economy" and after the development of our modernization drive, there will be a rapidly increasing demand for economic law personnel. The requirement of enterprises for long-term legal advisors alone will be for not less than 10,000 persons. Economic law as an independent department of law and of jurisprudence has emerged only after the 3d Plenum of the 11th CPC Central Committee. It is only in the last few years that all higher law schools and colleges and colleges of finance and economics throughout the country are starting courses in economic law. To say that there is an extreme shortage of legal personnel is talking about a great weakness in the state's personnel requirements. In this extreme shortage, there is an even more extreme shortage of economic law personnel, a great weakness within a weakness. The energetic development of economic law education and training of economic law specialists has therefore become an outstanding problem in the building of our economic legal system.

In the development of education in economic law, the key is to find persons qualified to teach. Those now engaged in teaching economic law throughout the country number around 200, mostly middle-aged teachers of around 50. We admit that this contingent is quite good. In recent years, these people, working and living under difficult conditions, have shouldered a heavy work load inside and outside their institutions. They did arduous exploratory work in economic law theory, also participated actively in the state's economic law legislation and made many valuable contributions toward the building up of the economic law system in China. However, in the same way as it is true of the entire contingent of our qualified teachers of law, the problem that exists among the teachers of economic law is that there are too few, their qualifications are weak, and that by age and knowledge they are somewhat outdated. To solve this problem, we must on the one hand vigorously push education and improvement of quality of the present teachers, directing our efforts to a variety of different targets and employing a variety of different patterns, and on the other hand those institutions that have favorable conditions must expand accepting post-graduate students or institute post-graduate courses in economic law, and in this way exert great efforts in training a new force of students to supplement the present contingent of teachers. In this way alone will we be able to provide a solid foundation for China's undertaking of education in economic law.

To develop China's undertaking of economic law education, we furthermore require teaching material that is fairly complete in the treatment of the subject, that has a fresh approach with new breakthroughs and is relatively solid. In the last few years, China has produced several editions of economic law textbooks which have indeed been very effective in meeting the pressing needs of instruction and in fulfilling the instructional task. However, economic law is a new department within jurisprudence that is only now being opened up and is still in the stage of initial development. Furthermore, much material is continuously being added by the reform and by new economic laws and regulations, while some of its older substance has become outdated. For all these reasons, we must now use new material and new research results in supplementing and revising our teaching material. We must bring out textbooks of highest perfection, showing new breakthroughs, new creations and a relative stability. At the same time, the scope of economic law is very broad; it touches on the legal regulation of all the various sectors of the national economy. We must therefore compile sectional economic law textbooks in a planned manner, step by step, gradually combining them into a fairly complete branch of a scientific system. This will be beneficial for the promotion of developments in all branches of the national economy. In compiling teaching material we must conscientiously implement the "hundred schools" policy, allow teaching material to express the ideas of different schools and publish material of different standards, different levels and in different editions. We must not indulge in a uniformity of patterns, editions and tones, so as to benefit the development of economic jurisprudence.

To meet the urgent need for economic law personnel in our modernization drive, we must exert efforts to produce many talents of high quality. In our standards and instructional patterns for the training of talents, we must take our base on the principle of combining popularization with raising quality, and in our instructional pattern adopt a variety of standards and proceed on many levels and in many forms. Well-qualified law institutions and finance and economics colleges may institute special economic law disciplines or special economic law sections, enroll post-graduate students of economic law or institute post-graduate courses in economic law and train specialist in economic law who will be conversant with law, know foreign languages and have a mastery of modern technology. Generally, institutions that set up economic law courses within the law discipline should make these courses compulsory. At the same time, through training courses or through a pattern of classes run jointly by colleges and actual departments and enterprises, we must carry out the training of economic and judicial personnel presently serving, also of lawyers, notaries public and legal advisors of enterprises, members of legislative bodies, and personnel in administrative charge of economic contracts. In addition, training of economic law personnel could be done through instructions by periodicals, by correspondence or through television universities popularizing economic law knowledge. Regardless of what form of instruction is used, we must in all of them strive for quality and focus attention on raising the quality of knowledge of economic law among our students, and this not only for the purpose of gaining a diploma or a record of formal instruction.

FOOTNOTES

1. Zhao Ziyang, "The Present Economic Situation and Future Policy of Economic Construction," People's Publ. Co., 1981 ed., p 40.

2. "Selected Works of Deng Xiaoping" p 137.
3. Deng Xiaoping, "Building a Socialism With Chinese Characteristics," People's Publ. Co., 1984 ed., p 61.

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ECONOMIC DEVELOPMENT ZONES

TIANJIN REFORMS, OPENING, ECONOMIC GAINS NOTED

Beijing LIAOWANG HAIWAIBAN [OUTLOOK WEEKLY] in Chinese No 9, 3 Mar 86 pp 16-17

[Article: "The Reform and Opening of Tianjin"]

[Text] Tianjin is one of three municipalities under the direct jurisdiction of the Central Committee. As China promotes reform and opens up, what are the present circumstances and trends in Tianjin's economy?

Comprehensive Reforms Have Brought Visible Results

Comprehensive reform of its economic structure has been stressed in Tianjin for more than a year and the effects are already visible:

--Enterprises have been invigorated and there have been notable gains in economic results. In 1985, Tianjin's GVIO reached more than 28 billion yuan, an increase of more than 12.5 percent over the previous year. As to net output value, it is estimated that new product operations accounted for more than 10 percent of output value. The quality of goods has risen steadily and the rate of top-grade products has reached 30 percent; numerous products have received gold and silver quality awards, which puts Tianjin in the front ranks of the nation. The growth in total income from product sales and real profits was higher than the growth rate in output value. Both individual labor productivity for industrial enterprises and local government income increased more than 10 percent over the previous year. After-tax profits for enterprises has been gradually increasing annually, and with the addition of credit assistance financed by the state and by banks, the technological transformation of enterprises has made great strides. In 1984, all together 60 important technological transformation projects were completed in the municipality; the overall investment of 1.16 billion yuan was able to produce an increase in output value of 2.55 billion yuan and increase tax receipts by 740 billion yuan.

--Price reforms are moving ahead smoothly, buying and selling has been brisk and markets have been stable. Beginning in May, 1985, Tianjin Municipality has proceeded with coordinated, integrated price reforms for meat, eggs, fowl, vegetables, aquatic, and other related products. The basic idea behind these reforms is the rationalization of prices, adjustment of supply and demand, stimulation of the flow of goods and markets that are flourishing. In order to prevent a fall in the living standard following an increase in commodity prices, the municipal government will extend a subsidy to each worker and his family on the price of nonstaple food items and has also adopted a series of measures that will allow state-run commerce to play a leading role in the market and in the leveling of prices. The latest price hike in nonstaple foods was significant, but it did not result in any serious jolt to society because both markets remained basically steady and people stayed calm. Producers are becoming more and more active as sideline agricultural production showed a significant increase. The number of hogs, laying hens, and beef cattle on hand and the volume of aquatic production has either doubled or tripled in growth over the last year. The numerous channels for and methods of business purchases and sales and the unfolding competition between the state, collective, and individual enterprises, and the various other organizations that integrate buying and selling, is mutually complementary, for it is triggering an increase in product variety on markets, a rise in quality, a tendency toward a more balanced supply between high and low seasons and an improvement in service.

--The reform of the wage system is the first step into a new era. The wage system for middle and grade school teachers as well as state agency units will be based on the reform program established by the State Council, which means a switch to a structured wage course. The rather low incomes of both intellectuals and workers for these units will be increased noticeably and steps will be taken to establish as a foundation the principle of tying individual income to work achievements, professional duties, and the division of labor. Enterprise units are universally proceeding with the reform that calls for them to pay their own wages and to draw a portion from their bonus fund and tie it to workers achievements. Because increases in workers wages are tied to the after-tax profits of an enterprise, many poorly administered enterprises have consequently made a great effort to raise economic gains. Since the first stage of the wage structure reforms has been implemented, the cost of living and income of Tianjin residents in 1985 increased more than 20 percent over the previous year and savings deposits for both urban and town dwellers increased by more than 30 percent.

--Macroeconomic controls have been clearly effective. To counter phenomena such as the loss of control over various aspects of the macroeconomy that began to appear in the fourth quarter of 1984, Tianjin has adopted several strong measures to guarantee that the economy develops in a coordinated, stable way. Tianjin's fixed-capital investment scale, bank credit issuance, money supply, consumption funds and local usage of foreign exchange are all under effective control.

--Urban and rural construction are rapidly expanding: the change in the appearance of the city is striking. In the last few years, Tianjin has annually constructrd more than 3 million square meters of new housing for urban and town dwellers, which exceeds total amount of new housing constructed during the period 1949 to 1980. In 1985, 250,000 square meters of low-lying, damp housing were transformed and 60 avenues were overhauled. Upon completion 2 years ago of a massive engineering project in water conservancy that brought water from the Luanhe to Tianjin, the history of bitter and salty drinking water for Tianjin residents came to a conclusion in one fell swoop. In 1984 construction of the nation's largest sewage treatment plant was completed; it can process daily 260,000 tons of sewage. In 1985, an excellent highway that encircles the central district and semicircles the western half was completed; ground has also been broken and labor begun on the semicircling of the eastern half. The crowded traffic and transport conditions have been alleviated. During 100 days in 1984 a food commodity avenue consisting of 100 businesses carrying an assortment of flavorful items was completed and in 1985, ancient culture and international market streets were founded. Also in 1985 a 3-year universalization of availability of gas project got underway. Recently goals were set to universalize the availability of hot water within 5 years and to universalize the availability of heating within 7 years. In outlying counties, villages, and towns, highway and general construction are progressing in leaps and bounds. The first part of the engineering work to restore the ancient great wall at Jixian has been completed and it has already been opened up to foreigners.

In April, 1985, Tianjin established an overall plan for the city; it was decided that Tianjin would be turned into a city with an integrated industrial base possessing advanced technology and a multifaceted economic center with a modern, open international port. The guiding concept behind the general plan for Tianjin's overall arrangement is: "to kill two birds with one stone." The river and the ocean will be the pivot points for the entire city and the old section of the city will be transformed into the city center. Industrial development will be stressed in the eastern section and a major effort will be made to develop the coastal area. Regarding areas surrounding the city, Jixian should be actively developed into a scenic tourist area and satellite towns and cities in the outlying counties should be formed into a network somewhat like planets orbiting their sun. This is a magnificent blueprint to be achieved within a 10-year time frame and should serve to inspire the people of Tianjin to work hard and struggle for an excellent future.

The Open Door Is Progressing Nicely

Tianjin has now taken a first step in opening its doors to the outside, and both the utilization of foreign capital and the attraction of technology have progressed rapidly. Since 1979, Tianjin has signed more than 120 commercial agreements and joint capital ventures with 10 countries, including Japan, the United States, the FRG and Hong Kong. Fifty-one joint capital enterprises are already in operation and more than 80 percent of these signed contracts or began operations in 1985. Total sales for Tianjin's joint capital enterprises have already exceeded 100 million yuan and the profit rate is 24.5 percent; the majority have either balanced their foreign exchange accounts or hold a surplus.

In 1984 the State Council approved Tianjin as 1 of 14 coastal cities open to the outside and to be given priority assistance. A proposal to establish an economic and technological development zone has also been approved. Construction of an initial 3 square km area of the development zone is progressing rapidly and a section is already prepared for construction of plants employing foreign capital. Twenty-one agreements have been signed with foreign businesses and in 1986 20 enterprises will be established and begin operating.

Tianjin is moving quickly to take advantage of broader foreign exchange privileges to attract advanced foreign technology for the transformation of older industries; project standards and the effectiveness of operations have shown a marked improvement in comparison to a few years ago. Since Tianjin harbor instituted the new system of "dual leadership with localities as the leaders" in June, 1984, economic indicators have all attained record levels.

1986: Consolidation, Assimilation, and Enhancement

There are still several problems relating to Tianjin's reforms and economic development that require solutions. For example, economic gains are still short of ideal, methods of market management and supervision are still rather imperfect, production sources for exports are still deficient and the value of exports departing from Tianjin's port still has not reached optimal levels, etc. These problems necessitate continued research for solutions.

Looking a couple of years ahead at the reforms and opening of Tianjin, in general the thinking is: Things should neither speed along too quickly, nor grind to a halt, and by all means there cannot be a retreat. Furthermore, the achievements of the last few years and especially those resulting from the reforms of 1985 must be consolidated and assimilated, and there must be a realistic assessment of the guiding philosophy behind the reforms; that is, expanded privileges, simplified government control, stimulation of the microeconomy and the need to preserve the beneficial and eliminate the harmful. In order to enhance macroeconomic controls and to further liberalization and invigoration, Tianjin must correspondingly set up and perfect its markets, which includes striving to expand consumer product markets, developing production resources and money markets; at the same time it must bolster economic laws and supervision and gradually reform the economic management structure.

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FUJIAN 1985 ECONOMIC STATISTICS COMMUNIQUE

OW280201 Fuzhou FUJIAN RIBAO in Chinese 9 May 86 p 2

[Communique by the Fujian Provincial Statistical Bureau on the statistics of the province's 1985 economic and social development]

[Text] Under the leadership of the Fujian Provincial CPC Committee and the provincial government, people in the province further implemented the policies of invigorating the domestic economy and opening to the outside world, continued to carry out special policies and flexible measures, and deepened reform of the economic structure in 1985, thus bringing about a sustained, stable, and coordinated development of the economy. Total product of society (Note 1: Total product of society is the total sum of agricultural, industrial, building industrial, transport, postal, telecommunications, and commercial [indcluding the material supply, marketing and catering trades] output value. National income is the total sum of the net value of the above) for 1985 was 34.35 billion yuan, a 19.2 percent increase over 1984. Of this, total industrial and agricultural output value was 27.218 billion yuan (Note 2: Total industrial and agricultural output value was 23.622 million yuan, calculated at the constant prices of 1980), an increase of 19.8 percent over the previous year; and national income was 16.027 billion yuan, representing a 14.4 percent rise. On the basis of developed production, both buying and selling on the market were brisk, revenue and expenditure were balanced, and the incomes of people in urban and rural areas continually increased. The main problems existing in the province's economy are: The economic foundation is relatively weak, there is a strain on the supply of energy and raw and semi-finished materials and on transport and communications, and economic results are not ideal.

1. Agriculture

In 1985, the second stage of reform was carried out in depth in the rural areas, agricultural products were purchased by contract, and the structure of rural production was readjusted. As a result, the rural economy has been invigorated. Total product of rural society (Note 3: Total product of rural society embraces agricultural output value under public, collective, or individual ownership; the output value of village and town industries and of industries owned by individuals; and the output value of the building industry, transport and communications services, commerce, and the catering trade. Its growth rate was caluclated at the prices of the year, without taking raised prices into account. For 1985 it was 15.844 billion yuan, a 28.3 percent increase over 1984. Of this, the proportion of rural industrial, building industrial, commercial, and transport output value increased from 34.7 percent to 37.5 percent in 1985.

Total agricultural output value (including village industries) was 12.359 yuan in 1985, an increase of 17.2 percent over the previous year. This growth rate was higher than planned. Forestry, animal husbandry, sideline production, and fishery were further strengthened. The proportion of forestry, animal husbandry, sideline production, and fishery in total agricultural output value increased from 54.4 percent in 1984 to 59.4 percent in 1985. After deducting the output value of village industries, total agricultural output value was 9.905 billion yuan, an 8.4 percent increase over the previous year.

The cropping structure was considerably readjusted. The acreage sown to grain crops was 129,000 hectatres less than in the previous year. In addition, national disasters occurred in the province, and people in some places also relaxed their efforts at grain production. Total grain output was 7,944,000 metric tons, 559,000 metric tons less than in the previous year or a 6.6 percent decrease. All cash crops, except rapeseed, increased by a big margin.

The output of major farm products was as follows:

	1985	increase over 1984 [percent]
Grain	7,944,000 tons	-6.6
of which:		
Rice	6,811,000 tons	-6.8
Wheat	216,400 tons	-12.0
Tuber Crops	805,100 tons	-3.5
Oil-bearing Crops	173,900 tons	9.8
of which:		
Peanuts	163,400 tons	10.9
Rapeseed	9,500 tons	-6.1
Sugarcane	5,366,700 tons	13.4
Jute, Ambary Hemp	15,600 tons	96.9
Cured Tobacco	34,000 tons	39.0
Tea	40,500 tons	14.9
Fruit	494 100 tons	21.9

The further implementation of the forestry policy further enhanced the masses' enthusiasm for forestry production. Forested areas in the province covered 282,800 hectares. Output of major forestry products topped that of 1984. Output of tea-oil seeds was 3.27 tons, an increase of 38.4 percent over 1984.

Animal husbandry continued to develop. Increases were registered in the output of pork, beef, mutton, milk, poultry, and eggs, as well as in the numbers of pigs and cattle at the end of the year.

Output of major animal by-products and numbers of livestock was as follows:

	1985	Increase over 1984 [percent]
Output of pork, beef and mutton	441,800 tons	17.6
of which:		
Pork	434,800 tons	17.6
Milk	41,700 tons	17.8
Hogs slaughtered	5,780,900 head	12.2
Pigs in stock at year-end	8,368,100 head	7.3
Cattle in stock at year-end	1,184,200 head	3.1
Sheep and goats in stock at year-end	611,000 head	-2.5

Fish production continued to grow. The output of aquatic proucts was 760,000 tons, up 14.3 percent from 1984. Of this, the total catch of marine products was 711,800 tons, up 12.6 percent, while that of freshwater products was 48,000 tons, an increase of 46.1 percent. Of the total output of aquatic products, production of aquiculture was 243,200 tons, up 19.2 percent.

Farm machinery and rural electric power continued to increase. At the end of 1985 the aggregate power capacity of Fujian's farm machines had reached 5,096,500 horsepower, an 8.8 percent increase over 1984. The number of small tractors and walking tractors was 99,900, an increase of 11.1 percent over 1984; trucks, 7,400, an increase of 28.6 percent. The total consumption of electricity in rural areas was 1.124 billion kwh, an increase of 25.9 percent over 1984.

The province's meterological departments improved their weather forecast work and made new contributions to agricultural production and production in other fields. Their good work also reduced losses to agricultural production caused by natural disasters.

However, the province's cultivated acreage decreased in 1985, and its irrigation facilities continued to deteriorate. Therefore, it is necessary to upgrade the province's capability to overcome natural disasters.

2. Industry

Industry continued to develop in 1985, amidst reform and opening to the outside world. Enterprises increased their vitality, light and heavy industries moved ahead fairly rapidly, there was a substantial increase in the output of readily marketable products, and economic results also rose.

The province's total industrial output value for 1985 was 14.895 billion yuan, an increase of 21.6 percent over 1984 -- a pace that exceeded the planned growth target of 10.6 percent. When added to the output value of rural industry run by villages and units lower than the village level, the total figure would be 17.313 billion yuan, a 25.4 percent increase over 1984. Of the total, the output value of state-owned industry increased 14.9 percent over the previous year, collectively owned industry grew by 29.9 percent, privately owned industry expanded its output value by 290 percent, and industry of other kinds of ownership rose by 50.1 percent. The output of 55 of the 72 major industrial products met or topped state plans, accounting for 76.4 percent. Seventeen industrial products failed to meet their 1985 planned quotas, including sulfuric acid, phosphate fertilizer, chemical insecticides, rosin, microcomputers, and crude salt.

The total light industrial output value in 1985 was 8.834 billion yuan, an increase of 20.9 percent over the previous year. The relatively rapid increase of high-grade, medium-grade, famous brand, and fine quality products contributed to improving the supply situation on the market. The variety in color and design of light industrial products continued to increase. Products that sold well on the market increased by relatively large margins.

The output of major light industrial products was as follows:

	1985	increase over (percent)
sugar	479,400 tons	39.7
canned food	133,300 tons	23.2
cigarettes	462,700 cases	17.8
beer	46,900 tons	78.3
crude salt	780,000 tons	-12.6
machine-made paper and cardboard	368,400 tons	20.2
synthetic fiber	16,500 tons	59.7
cotton cloth	154,000,000 meters	14.3
silk textiles	14,760,000 meters	13
bicycles	491,400 units	34.7
plastic products	97,800 tons	15.2
refrigerators	32,800 units	71
washing machines	42,300 units	130
audio recorders	654,700 units	315
television sets	589,500 sets	25.3
of which:		
color tv sets	406,000 sets	26.8

The total heavy industrial output value in 1985 was 6.025 billion yuan, an increase of 22.8 percent over the previous year. The situation in power output was relatively good. The output of items in short supply increased by a relatively large margin. However, the gap between supply and demand in energy and raw and processed materials was still relatively large.

The output of major heavy industrial products was as follows:

	1985	increase over 1984 (percent)
coal	6,065,300 tons	5.3
generated energy	7,720,000,000 kwhs	14.3
steel	317,500 tons	10.6
pig iron	379,900 tons	8.4
steel products	263,200 tons	4.6
lumber	4,617,600 cubic meters	10.1
resin	51,800 tons	-8.4
cement	2,906,900 tons	24.2
plate glass	1,053,100 cases	24.7
sulphric acid	129,400 tons	9.1
caustic soda	64,100 tons	8.3
chemical fertilizer	328,800 tons	1.6
plastics	41,000 tons	10.0
chemicals	460 tons	23
generating equipment (above 500 kw capacity)	38,100 kw	120
small tractors	19,600 units	10.3

Following the development in depth of industrial structural reform with simplification of administration, delegation of power, and invigoration of enterprises as its central tasks, enterprises increased their ability to improve themselves and develop, and industrial economic results continued to improve. The average per capita output of state-run industrial enterprises was 13,036 yuan, an increase of 13.3 percent over 1984. The consumption of raw and processed materials as well as energy for major products under provincial supervision dropped as compared with the previous year. Profits and taxes turned in by state-run industrial enterprises increased 31.7 percent over 1984. The capital turnover rate was 7.8 percent faster than in 1984. However, the fixed cost of products increased 5.5 percent; the quality of some products dropped; and not all enterprises were able to make up deficits and show profits.

The state-run industrial enterprises established various forms of economic responsibility systems. The switch-over from turning in profits to paying taxes was further implemented. The percentage of state-run industrial enterprises which paid taxes in 1985 instead of turning in their profits grew to 81.1 percent from 75.3 percent in the previous year.

3. Foreign Economic Relations and Tourism

Foreign trade increased by a large margin in 1985. The province's total imports and exports in 1985 was U.S. $1.091 billion, an increase of 63.9 percent over the previous year; of this, total exports were U.S. $491 million, an increase of 13.3 percent over 1984, and total imports were U.S. $600 million, an increase of 147.9 percent over 1984.

The use of foreign capital continued to increase. Some 403 new contracts involving a total of U.S. $439 million in foreign capital were signed by the province in 1985, representing an increase of 73 percent over 1984. Of this total, U.S. $377 million were direct investments from abroad, representing an increase of 87 percent over the previous year. The actual figure of foreign capital used in the whole year was U.S. $177 million, an increase of 186 percent over 1984.

The province last year examined and approved 108 reports on the feasibility of importing various technologies and equipment, which involved a total investment of 433 million yuan. We also signed 305 contracts on importing technologies, and technologies imported according to 125 of these contracts had been put into operation by the end of last year. Eight of the 125 contracts involved $1 million in foreign exchange each.

We also made progress in promoting economic and technical cooperation with foreign countries last year. We signed 74 contracts for various overseas projects and providing labor to foreign countries, which involved $42.54 million. Some $17.28 million of this was completed, 3.35 times more than the previous year. Our tourist industry also developed quite rapidly. In 1985, we received 355,800 people from 57 countries and regions who came for sightseeing, visits, and various exchange activities, up 31.5 percent from the previous year. Of these visitors, 76,700 were foreigners, a 42.5 percent increase over the previous years; 279,100 were Overseas Chinese and Macao and Hong Kong compatriots, an increase of 28.9 percent over the previous year. Tourist industry earnings totaled $28.34 million last year, 24.3 percent more than the previous year.

The Xiamen Special Economic Zone and the Mawei Economic and Technological Development Zone further expanded their economic and technical relations with foreign countries. Foreigners, Hong Kong, Macao, and Taiwan compatriots, and Overseas Chinese who came to Xiamen for business, visits, meetings, and sightseeing totaled 84,700 people, 41.2 percent more than the previous year. Last year, we signed 105 contracts with foreign firms on setting up Chinese-foreign joint ventures, Chinese-foreign cooperative enterprises, and foreign-owned enterprises, with a total investment of $242 million. Seven of these 105 investment projects involved more than $10 million in foreign investment each. They included the Xiamen International Bank, the Hulishan Hotel, and the XIAMEN Polyester Fiber Corporation. The sand blowing [Chui sha 0706 3097] project in Qingzhou, an infrastructure project of the Mawei Economic and Technological

Development Zone, was completed ahead of schedule, leveling an area of 2 square kilometers. Five roads totaling 3,600 meters in the zone were also completed and opened to traffic.

4. Communications and Posts and Telecommunications

Communications departments made relatively good progress in the course of reform. Transportation capacity was enhanced, and passenger and cargo transportation volume increased considerably. Total turnover of cargo handled by railways, highways, ships, and barges in the province reached 12 billion metric ton-kilometers, up 11.5 percent from the previous year. Of this total turnover of cargo, 8.243 billion metric ton-kilometers were handled by railways, an increase of 18 percent; 991 million metric ton-kilometers were handled by highways, an increase of 10.2 percent; and 2.77 billion metric ton-kilometers were handled by ships and barges, a decrease of 3.8 percent. Cargo transported by civil air service totaled 3,794 metric tons, 31.2 percent more than the previous year; and cargo handled by major ports amounted to 9.13 million metric tons, up 4.2 percent from the previous year.

The total turnover of passengers carried by railways, highways, ships, and barges was 10.449 billion man-kilometers, an increase of 16.6 percent over the previous year. Of this total turnover, 3,525 billion man-kilometers were carried by railways, an increase of 17.7 percent; 6.635 billion man-kilometers were carried through highways, up 16.6 percent; and 289 million man-kilometers were carried by ships and barges, an increase of 5.1 percent. Passengers traveling by civil airliners totaled 176,900, 47.7 percent more than the previous year.

We also made considerable progress in posts and telecommunications in 1985. Total revenue earned by the industry exceeded 89.35 million yuan, up 25.9 percent from the previous year. Revenue earned by mail service increased by 15.7 percent; revenue from distributing newspapers and periodicals increased by 13.8 percent; revenue from telegraph services increased by 30.4 percent; and revenue from long distance telephone service increased by 37.9 percent. Urban households installed with a telephone reached 54,700 at the end of last year, 192 percent more than that at the end of the previous year.

The economic results of communications and posts and telecommunications departments continued to improve last year. The overall productivity of the railway transportation industry increased by 10.7 percent over the previous year. The average daily production volume of each locomotive used for driving a cargo train increased by 1.1 percent over the previous year. The fuel consumption of steam locomotives in completing each 10,000 metric-ton kilometers of transportation decreased by 0.5 percent over the previous year. Profits earned by the industry in 1985 increased by 38.1 over the previous year. The annual output of each metric ton of coastal freighters of the province increased by 2.5 percent over the previous year, and the utilization rate of these freighters increased by 9.4 percent. Profits earned by the posts and telecommunications industry increased by 76.7 percent over the previous year. Nevertheless, current communications and transportation capacities still cannot meet production and circulation needs.

5. Fixed Asset Investment and Construction Industry

In 1985, the system to administer fixed asset investment was further improved, construction of capital projects was accelerated, and more efforts were devoted to modernizing existing enterprises. Some 5.428 billion yuan was spent on fixed asset investment in urban and rural areas last year, 1.985 yuan more than the previous year, an increase of 57.6 percent. Of this investment, 3.71 billion yuan was invested by public-owned units, up 76.1 percent from the previous year; 889 million yuan was invested by collective-owned units in urban and rural areas; and 828 million yuan was invested by individuals. Of the fixed asset investment made by public-owned units, 2.676 billion yuan was invested in capital construction projects, an increase of 83.7 percent over the previous year. Some 549 million yuan invested in these capital construction projects was included in the state budget, an increase of 28.9 percent.

In 1985, we continued to build infrastructure projects in order to prepare for future development. Of the total capital construction investment, 532 million yuan was invested in the energy industry, 203 percent more than the previous year; 183 million yuan was invested in the communications and posts and telecommunications industries, an increase of 27.1 percent; and 184 million yuan was invested in education, an increase of 49.6 percent.

Thirty-six large and medium-sized capital construction projects were undertaken last year. Eleven of these projects have been completely or partially put into operation; they include the Yongan thermal power plant and the Qingyang sugar mill. Major output generated by the completed capital construction projects included: 120,000 metric tons of coal; 202,300 kilowatts in generator capacity; 62.86 kilometers of power transmission lines (110,000 volts or above); 2.89 million cubic meters of timber, 44,000 metric tons of cement; 26,000 metric tons of machine-made sugar; and 158,900 school seats.

Development in the Xiamen Special Economic Zone was speeded up, and the investment climate was further improved in 1985. Some 759 million yuan was invested in capital construction projects in the zone last year, 81.1 percent more than the previous year. It also increased its fixed assets by 400 million yuan, an increase of 235 percent. Floor space completed last year amounted to 991,500 square meters, 10.4 percent more than the previous year. The Mawei Economic and Technological Development Zone also made new progress in the construction of infrastructure projects. Projects involving 75 million yuan were completed in 1985.

More efforts were devoted to modernizing existing enterprises last year. Pulbic-owned units invested 849 million yuan in this work in 1985, 45.5 percent more than the previous year. Of this investment, 533 million yuan was invested in increasing product variety and improving product quality, an increase of 63.5 percent over the previous year; 81 million yuan was invested in reducing energy and raw material consumption and in improving product quality, and increase of 39.7 percent. Modernization programs were undertaken on 2,200 projects last year, and 1,114 of them were completed and put into operation.

We deepened our efforts to restructure the construction industry last year, which resulted in more rapid development of the industry. The contract responsibility systems in various forms was implemented on 1,105 of the 2,384 construction projects undertaken by local and state-run construction companies in 1985, which brought better economic results. Output value accomplished by these companies totaled 492 million yuan in 1985, up 23.8 percent from 1984, and their overall productivity increased by 14.9 percent.

New progress was also made in the geological field last year. Our geological workers completed 170,700 meters of drilling in geological prospecting, 34.9 percent more than the previous year. Newly discovered mineral reserves included 30.22 million metric tons of coal, 29.67 million metric tons of limestone, and 7.42 million metric tons of iron ore. In addition, we discovered 15 major mineral sources which are relatively large in size and have good geological conditions for prospecting.

6. Domestic Trade and Supply of Materials

Urban and rural markets thrived in 1985. Retail sales reached 10,709 million yuan, a 26.1 percent increase over the previous year, and after allowing for price rises, an actual increase of 14.0 percent. Of total retail sales, consumer goods amounted to 8,683 million yuan, 27.6 percent more than 1984, and farming materials and equipment totaled 1,105 million yuan, topping the previous year by 5.7 percent. Sales of major consumer goods increased by relatively big margins, including grain, 3.4 percent; edible vegetable oil, 3.8 percent; pork, 4.0 percent; eggs, 37.3 percent; sugar, 19.4 percent; woolen fabrics, 71.9 percent; silk, 23.2 percent; bicycles, 29.2 percent; cameras, 28.9 percent; electric fans, 87.0 percent; TV sets, 83.2 percent; audio tape recorders, 250 percent; washing machines, 92.9 percent; refrigerators, 270 percent; knitted underwear, 64.1 percent; and cloth, 18.7 percent.

Commercial structural reform developed significantly, and a new multi-channel commercial system with various economic forms emerged. By the end of 1985, the state had decontrolled 32 second-level industrial goods wholesale centers; a total of 1,078 small state-owned enterprises in the retail business, the catering trade, and other service trades were delegated to collectives -- turned over for collective ownership or leased to individuals. These accounted for 55.5 percent of all small enterprises. The number of urban and rural commodity fairs increased from 1,306 in 1984 to 1,359 in 1985. Trade value in 1985 amounted to 2,118 million yuan, a 34.8 percent increase over the preceding year. Retail sales in all economic sectors increased considerably. The total amount of retail sales in the state-owned sector grew 17.7 percent and amounted to 4,023 million yuan; retail sales in the collective sector totaled 3.96 billion yuan, an increase of 18.1 percent over 1984. Sales in the individual sector went up by 60.2 percent to total 1,703 million yuan. Sales in othe economic sectors rose by 720 percent to 102 million yuan, while retail sales by farmers to nonagricultural residents went up 42.4 percent to reach 921 million yuan.

The major step of pricing reform progressed smoothly, but market prices rose considerably. The general retail price index in 1985 increased 10.6 percent over 1984. Of that, the general retail price level, being influenced by the readjustment and decontrol of commodity retail prices for some farm and sideline products, rose 6.6 percent. The general retail price level, influenced by other factors, also went up by 4 percent. The general retail price index in the cities rose 14.4 percent and 6.7 percent in the countryside. The price of grain rose by 4.4 percent; fresh vegetables, 35.6 percent; meat, poultry, and eggs, 18.2 percent; aquatic products, 42 percent; fruits, 38.7 percent; articles for everyday use, 4.1 percent; books, newspapers, and magazines, 19.3 percent; and fuel, 3.8 percent. Retail prices of garments and cultural and recreational goods increased slightly as well. Prices of farming materials and equipment grew 5.6 percent. The cost of living index for workers and staff went up 14 percent, of which the price index of consumer goods increased by 14.4 percent; the price index of services rose by 10.1 percent, and the general purchasing price index of farm and sideline products increased 16.4 percent on the average over the preceding year.

The market for means of production was brisk. Material supply departments in Fujian increased their procurement by 31.5 percent and sales volume by 30.8 percent over the previous year, including sales of pig iron, 13.6 percent; rolled steel, 14.9 percent; and cement, 5.4 percent. The rate of circulating expenses dropped from 5.2 percent in 1984 to 4.7 percent. The turnover period for circulating funds decreased by 11 days. Coal sales by fuel supply departments in Fujian increased by 3.3 percent.

7. Science, Education, and Culture

Science and technology advanced amid reform, making fresh contributions to economic development in 1985. Popularization of scientific and technological projects yielded improved economic results. The ranks of scientists and technicians also continued to swell. In 1985, 143,500 natural science professionals and technicians were employed in state-owned enterprises in Fujian, 8,700 more than in 1984. There were also 165,400 people working in social sciences, 8,200 more than in the previous year.

Education continued to develop in the course of reform. In 1985, there were 1,064 postgraduates, 28.7 percent more than in 1984, studying in the province; 324 completed graduate school in 1985, a 10-fold increase over 1984. Universities and colleges enrolled 17,900 students in 1985, 5,710 more than in 1984. Graduates from these schools totaled 7,900 in 1985, 292 more than in 1984. They had a total student body of 44,100 last year, 10,100 more than the year before. Adult higher education institutions enrolled 22,800 students last year, 13,100 more than 1984. Total student body increased to 39,600, 15,100 more than the year before. Graduates from these schools totaled 4,500 last year, 2,300 more than 1984.

Restructuring continued in secondary education. In 1985, there were 95 secondary technical schools with a total enrollment of 43,400, increasing by 7,216 as compared with 1984. The number of senior middle school students was 199,000 -- 20,800 more than the previous year. The number of junior middle school students was 900,200 -- 58,700 more than in 1984. Agricultural middle schools and vocational middle schools had 55,200 students, 16,100 more than in 1984. The ratio between the total enrollment of senior middle school level vocational and technical schools and the total enrollment of regular senior middle schools was 33:67.

Primary school education was further popularized and developed. There were 26,600 primary schools in the province in 1985 with a total enrollment of 3,724,000 -- 37,200 more than in 1984. Of school-age children, 97.3 percent attended school in 1985. Kindergartens in the province had 520,300 pupils last year, 30,200 more than the year before.

Cultural units, cinema, and the media played an important role in building socialist spiritual civilization. There were 3,669 film projection units in the province in 1985, increasing by 142 as compared with the year before. There were 104 full-time performing art troupes, 65 public libraries, 78 cultural clubs, 24 museums and memorial halls, 3 radio stations, 36 radio transmitting and relay stations, 3 television stations, and 10 television transmitting and relay stations, each with a capacity of over 1,000 watts. In 1985, the province published 358 million copies of newspapers, up 27.4 percent from 1984; 33,751,000 copies of magazines, up 38.3 percent from 1984; and 156 million copies of books, up 31.1 percent from 1984.

8. Public Health and Sports

Public health work was constantly strengthened in 1985. The number of hospital beds in the province reached 52,000 by the end of the year, an increase of 2.1 percent as compared with the end of the previous year. Professional health workers numbered 74,200, up 3.7 percent as compared with 1984. The total included 27,000 doctors, an increase of 4.2 percent; 17,000 nurses and midwives, up 2.3 percent. Further progress was made in mother and child care and in the prevention and trreatment of diseases.

In 1985, Fujian's athletes won 53 gold and 24 silver medals in major international competitions. Six of them won four world championships. Fujian's athletes also won 42 national championships. Three of them broke three national records on nine occasions. Thirty-seven athletes broke 61 provincial records on 64 occasions. In 1985, 780,000 people in the province met the requirements prescribed by the "State Standards for

Physical Culture and Sports Training," 11 athletes won the honor title of state master sportsman, and 22 athletes won the honor title of master sportsman. Mass sports activities were further promoted.

9. Living Standards

Living standards in both the cities and the countryside were improved in 1985. A sample survey of peasant families showed an average annual per-capita net income of 396 yuan (including 353 yuan from productive activities and 43 yuan from cash and acricles remitted or brought back by family members working away from home and relief funds issued by the state), 51 yuan or 14.9 percent more than the previous year. The actual increase in income was 10.6 percent after adjustment for rise in prices. However, our economic development was quite uneven. In some localities with slow economic development, the people's livelihood was still difficult, In some old revolutionary base areas, minority nationally regions, border regions, and poor regions and on some islets, the people's basic needs in food and clothing had not yet been satisfied.

A sample survey of urban households showed an average annual per-capita income of 672.52 yuan for expenses in 1985, an increase of 24.9 percent over 1984. After adjustment for the rise in the cost of living, the actual increase was 9.5 percent.

In 1985, jobs were given to 164,000 people in urban areas. The province had 2,741,100 workers and staff by the end of the year, 113,300 more than at the end of 1984. Self-employed workers in the cities and towns totaled 137,600, an increase of 46,100 over the previous year. Annual wages (Note 4: including subsidies issued to compensate for higher commodity prices) of workers and staff in the province totaled 2,903 million yuan, up 24.1 percent from 1984. The average annual cash wage for workers and staff was 1,100 yuan, 19.4 percent more than 1984. The actual increase in workers' wages stood at 4.8 percent, factoring in the cost of living increase.

Urban and rural savings deposits increased greatly. By the end of 1985, individual bank savings amounted to 4,759 million yuan, 34 percent more than the 1984 year-end figure. Housing for both urban and rural residents improved, and per-capita floor space increased.

Social welfare improved. In 1985, there were 307 social welfare institutes in the province, providing for 5,400 people. Urban and rural collectives provided for 42,400 elderly, disabled, widowed, and orphaned people.

10. Population

In 1985, the province had a population of 27,131,000.

Note: the figures in this communique are based on preliminary annual statistics. They do not include the figures for Jinmen County and Mazu Island of Lianjiang County. The total product of society, total industrial and agricultural output value, and the national income in this communique were computed according to 1985 prices. The increases over the previous year were calculated in terms of comparable prices.

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CSO: 4006/1060

BRIEFS

INCREASE IN PER-CAPITA INCOME--According to BEIJING WANBAO, the urban per-capita national income of our municipality ranked second among the 29 provinces, municipalities, and autonomous regions of the country, next only to Shanghai. This information was released by (Xu Yiliang), director of the municipal Statistical Bureau, at a press conference held today. During the past 5 years, although the population of our municipality increased from 5.104 million in 1980 to 5.725 million in 1985, various aspects of the people's lives showed great improvement. Calculated on the basis of permanent population, the per-capita national income reached 2,040 yuan. In terms of comparable prices, this showed a 47.4-percent increase over 1980, averaging an annual increase of 8.1 percent. In 1985, the average wage of the staff members and workers throughout the municipality was 1,343 yuan. This showed a 34.4-percent increase over 1980, when price subsidies were added, and price rises were considered. The average annual increase was 6.1 percent. Such a high growth rate was rare since the founding of the PRC. [Text] [Beijing City Service in Mandarin 0900 GMT 9 May 86] /12640

CSO: 4006/1060

ECONOMIC MANAGEMENT

WENZHAI BAO EXAMINES EXTERNAL INTERFERENCE IN PRODUCTION

HK010837 Beijing WENZHAI BAO in Chinese No 306, 24 Apr 86 p 2

[Article by WENZHAI BAO Reference Office: "What Can a Factory Do With So Many 'Mothers-in-law'?"]

[Text] A certain brewery invited comrades from as many as 30 other units to attend a meeting to verify the feasibility of expanding its workshop for the production of brand-name wine. Why were so many guests invited? The director of the plant said: "All these units are 'mothers-in-law' of our factory. If any of them is not invited, it will be offended and will play underhand tricks against us. Therefore, we had no alternative but to invite all our 'mothers-in-law' and 'grandmothers-in-law'!"

The plant director continued to say that on the eve of the Spring Festival in 1982, a unit under the City Power Supply Bureau came to ask for 500 bottles of good wine. Since we did not have sufficient good wine to meet the needs of the Spring Festival, we refused to give the wine to this unit. Not long after, the unit informed us by telephone that power supply would be suspended. On the following day, our plant told the unit that we agreed to give it 500 bottles of wine as requested and offered our apology. The result was that we were told "power supply will be ensured." On the eve of the Spring Festival last year, the City Coal Company sent someone to ask for 100 boxes of a brand-name wine which had won gold medals. At that time, we did not have enough of such wine and proposed to replace part of the wine it wanted with other wine. The person from the company snatched back his company's introductory letter and left immediately. Not long after, the Coal Company told us that because of short supplies of coal, no more coal would be supplied to our brewery. I was forced to bring 100 cases of brand-name wine with me to the Coal Company to offer an apology before the problem of coal supply was solved.

Various kinds of "mothers-in-law" have made things very difficult for the brewery. In order to meet market demand, the brewery developed a special kind of wine with 35 percent alcohol in the beginning of 1984. To date, this kind of wine has not yet been put into mass production. This has been caused by the dilatory style of work by "mothers-in-law" concerned. To sell our products, we have to obtain permission from price departments at two levels. After this, we still have to get the approval of the quarantine center. We sent some products to them a month ago but we are still waiting for their reply.

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CSO: 4006/1007

ECONOMIC MANAGEMENT

NEED CITED FOR REGULATIONS ON ENTERPRISE BANKRUPTCIES

Beijing BAN YUE TAN in Chinese No 5, 86 pp 40-42

[Article by Cao Siyuan [2580 1835 3293]: "There Is a Need for Legal Provisions for Enterprise Bankruptcies"]

[Text] In recent years, we have done considerable work in reforms to enliven enterprises. But so far there has been no effective solution for the problem of unprofitable enterprises going bankrupt.

In one investigation it was found that from 1967 to 1976 a chemical plant with fixed assets of only 10 million yuan had incurred continuous losses to a total of 9.6 million yuan. Since there were no means to impose any restraints, losses increased without letup. In 1977 the losses for the year surpassed the 2 million yuan mark, and in 1982 further increased to 3.67 million yuan, bringing the accumulated total losses of the factory up to 25.8 million yuan, or 2.5 fold more than the fixed assets of the entire plant.

According to reason, this plant had long ago lost all its original capital and was in fact bankrupt, but it continued to exist and as before to run up losses, doubling and redoubling its losses. The main reason for this situation is that our economic management system provides such enterprises with "reassurances." Regardless how chaotic its management, how backward its technology, how obsolete its products, or how poor its economic results, the enterprise seems "endowed by Heaven" with the right to exist; it is immortal because it can always depend on financial subsidies. Some people erroneously believe that this is a display of the superiority of socialism.

As long as we do not have the institution of bankruptcy, enterprises that operate at loss over long periods of time on the one hand occupy or waste the fruits of labor of their creditors without remuneration, do not service debts, and make it a common practice to repudiate debts, throwing the entire socioeconomic order into chaos. On the other hand, the financial subsidies provided for such unprofitable enterprises not only saddle the state with a heavy burden and impede the development of production and the implementation of measures to improve the livelihood of the people, but also, more seriously, foster a mentality among debtors that all responsibility can be shifted to the state, a mentality that hampers efforts to stimulate a sense of responsibility and urgency among enterprises to improve their business management and leads to increased inertia and resistance in the entire business machinery, thereby decreasing economic results throughout society as a whole. Administrative measures are unable to revive the vitality of such enterprises whose continuous losses have brought them to a state of bankruptcy. Here, help can only come from legal measures, i.e., the legislation of an enterprise bankruptcy law, and instituting bankruptcy procedures, to eliminate backward enterprises and encourage progress as the goal in all enterprises.

Instituting bankruptcy procedures means discharging debts while in the state of bankruptcy. Being bankrupt means that the debtor cannot satisfy debts to a creditor on a due date. In the case of an electrical equipment plant, for instance, losses were incurred year after year due to chaotic management conditions. By 1985 its debts to 247 units amounted to 500,000 yuan, while all its property had a value of only 300,000 yuan; it was obviously unable to repay the entire debt of 500,000 yuan. According to an enterprise bankruptcy law, this enterprise should have been declared bankrupt, its property liquidated and used to pay its debts, and it should have been granted a discharge according to law for all debts for which assets would have been found insufficient.

By paying debts in a bankruptcy procedure the debtor on the one hand fulfills all his obligations to the best of his ability, and thereafter is granted a discharge of all previous debts. On the other hand, the procedure protects the legitimate interests of the creditors, ensuring within the limits of what is possible the fulfillment of all obligations and preventing the creditors from getting nothing at all. It may be said that implementation of a bankruptcy law enables the direct disposition of a small number of cases of enterprise bankruptcies, and indirectly embodies the universal principle that debts must be repaid, and therefore serves to protect the interests of the broad masses of the people.

Some say, isn't it a fact that there is no further life for the enterprise after bankruptcy? Precisely. This is what is called "elimination." In commodity production, the objective law of value determines: whatever is low in production costs and suits the requirements of the market will yield larger profits and experience greater development; whatever is high in production costs and unsuitable for the requirements of the market will, quite naturally, yield little profit or even lead to losses. The losses will frequently come to constitute an abnormal indebtedness, and when the indebtedness exceeds the ability to repay, the enterprise will have to be closed down and declared bankrupt.The bankruptcy and elimination of producers of backward commodities is the natural result of the development ofcommodity production, as it is also the necessary factor that will spur on the development of commodity production at a high rate of efficiency. When a bankruptcy law is implemented and backward enterprises have to close down and be declared bankrupt, it is like a silent warning bell and a silent command which calls on the large number of enterprises to actively and vigorously improve business operations and update technology, and by so doing promote the enhancement of economic results and science and technology levels throughout the society as a whole.

If a bankruptcy law is in effect and an enterprise should fall into bankruptcy, the bankruptcy case would be handled by the law court. The management, liquidation and distribution of assets in the bankruptcy procedure will be carried out according to a certain procedure in an orderly way; it will be "dying a good death," and will forestall endless bickering by creditors demanding payment of debts.

When an enterprise goes bankrupt, its assets will be liquidated and distributed among its creditors, while its employees (including cadres) become "job-waiting" personnel. How are their livelihood and career problems to be solved? This is something for priority consideration in a socialist country when drawing up a bankruptcy law. The institution of bankruptcy is closely linked with the question of bankruptcy relief measures. The state will in future have to make clear and definite provisions regarding the accumulation, management and distribution of a bankruptcy relief fund and regarding ways to reemploy staff and workers.

Perhaps some may argue that since this is so, it may suffice to merely dismiss the factory director when his enterprise goes bankrupt. Yet the common worker is also punished. Isn't this being unfair?

Actually, if one would only acquire a true concept of the commodity economy, this problem is not at all difficult to understand. An enterprise as a producer of commodities is the embodiment of the common fate of all its members. An enterprise operating under the conditions of commodity economy is like a ship on the high seas. When it strikes a rock and sinks, even if due to a serious fault of the captain, it will certainly not only be the captain who goes down. We see the same reasoning in the objective law that prevails in the development of the commodity economy. Violating this law will deprive everyone of production enthusiasm. Observance of the said law will have everybody show concern in all operations for the fate of the enterprise because everyone's own vital interests are at stake. China is a socialist state with a constitution that sets forth that the masses are not only workers, but also masters of their enterprises. Hence, there ought to be an even closer bond between workers and enterprise. It is only that the economic system of everybody eating from the same big pot prevents bringing the advantages of the socialist system into full play and suppresses enthusiasm for democratic management of enterprises by workers. Practice has proven that the spirit of being masters can only be built on the foundation of real responsibility, power and interests. If a certain economic loss in connection with the losses and bankruptcy of the enterprise would also have to be borne by the entire body of employees, they are bound to be concerned about the business affairs of the enterprise.

The survival of the fittest enterprises is like metabolism in all things on earth; it is normal and beneficial, and also unavoidable. But, one sided propaganda over a long period of time has created the erroneous concept that bankruptcy of enterprises will result in social turmoil. Dominated by this erroneous concept, a considerable amount of the state's and the people's valuable capital has been squandered year after year as "blood transfusions" to certain enterprises without the slightest vitality, protecting backward enterprises from elimination, and running enterprises as if they were relief or charitable organizations. Practice has proven that this served only to cover up unstable elements, to accumulate such elements and to multiply economic losses. If we are now intent on instituting a bankruptcy system, it is to declare those bankrupt enterprises legally bankrupt. At the same time relief should be provided according to a certain procedure for all unemployed staff and workers who deserve to receive relief. Providing relief is a different matter from running an enterprise. It is only in this manner that consideration could be given to both social stability and economic results.

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CSO: 4006/924

GUANGDONG GOVERNOR URGES INVIGORATING ENTERPRISES

HK280304 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 27 Apr 86

[Text] At a provincial urban economic structural reform work conference that ended today, provincial Governor Ye Xuanping said that invigorating enterprises is the foundation of economic structural reform. We must make great efforts to invigorate enterprises so as to develop horizontal economic ties.

The governor said that the main role in horizontal economic ties is enterprises. So long as enterprises have their own decisionmaking power and more vitality, they will combine with others of their own accord on the basis of equality and mutual benefit. Economic management departments at all levels, as government organs, cannot take care of everything concerning combinations between enterprises, nor can they enforce enterprises to combine or use administrative means to interfere with combinations. They must act as good go-betweens, provide information, and act as a bridge in combinations of enterprises.

On how to invigorate enterprises, Governor Ye Xuanping said that on the one hand we must give more decisionmaking power to enterprises, delegate power to enterprises, and create conditions externally to invigorate enterprises; on the other hand, we must further implement various reform policies within enterprises and strengthen business management. For example, we may promote the factory manager responsibility system and perfect various economic responsibility systems to invigorate enterprises and raise economic results.

The governor also emphatically pointed out that at present the province should focus on developing horizontal economic ties, on encouraging enterprises to develop the energy, communications, and raw material industries, and on encouraging them to make joint efforts to develop products for export and foreign exchange and products in short supply in the country.

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CSO: 4006/1007

HEILONGJIANG HOLDS CONFERENCE ON INDUSTRIAL PRODUCTION

SK041400 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 2 May 86

[Text] The provincial CPC Committee and government held a telephone conference this morning. Hou Jie, governor of the provincial government, presented a plan for grasping the current industrial production at the conference.

The conference held: Our province's industrial growth rate, economic results, and revenue in the first 4 months of this year were not ideal enough. From now on, leaders at all levels throughout the province should shift their attention to industrial production, conscientiously strengthen their organizational leadership over industrial production, and improve and implement the economic contracted responsibility system in order to further vitalize production and management and to facilitate industrial production.

The conference held: There were many reasons or causes for the declines in our province's industrial growth rate and economic results. However, the main reasons were that leaders and economic administrative departments at all levels failed to do their work well; that is, they failed to exercise organizational leadership over industrial production, to carry out the economic responsibility system, or to firmly grasp ideological and political work.

The conference set forth: We should conscientiously enhance the organizational leadership over industrial production in order to solve the problems existing in industrial production. Leaders at all levels should shift their attention to industrial production. The leading bodies of all cities, prefectures, counties, provincial-level industrial and communications departments and bureaus, and companies should immediately and conscientiously study the problems in the current industrial production, analyze the current situation of industrial production, correctly find out where the problems lie, and take countermeasures to firmly solve the problems in order to ensure the fulfillment of the annual targets for increasing output value and economic results.

The conference called on cadres of economic administrative departments to go to the grassroots enterprises to help them study and solve the problems in the current industrial production. Cadres of economic administrative departments should implement the regulations of the provincial CPC Committee and the provincial government on drawing a clear line of demarcation between the unhealthy practices and the formal economic activities of the state, collective, and individual enterprises, and help enterprises study and work out measures for enhancing ideological and political work. In response to the decision of the provincial government on reducing excessive meetings, cadres are given more chances to go deep among the grassroots units.

The conference stressed: From now on, we must link the arrangements for all political activities with the guiding ideology of shifting the whole party's stress of work defined at the 3d Plenary Session of the 11th CPC Central Committee. The departments at all levels should focus their work on serving the four modernizations. Straightening out party style and popularizing education on general knowledge of the law is aimed at the realization of the four modernizations. Thus, we must combine the arrangements for these activities with the thinking regarding how to achieve the current production.

The conference also called on all localities to improve and implement the economic contracted responsibility system in order to enliven the production and management of the enterprises. Through summing up experiences, the enterprises should maintain the advantages and discard the disadvantages to make all effective forms, content, and measures of the contract systems be mutually reinforcing. Acting on behalf of the governments, the management departments at all levels should sign economic contracts with the enterprises in order to assign contracted economic targets to the enterprises as soon as possible.

The conference also set forth suggestions on improving the quality of products, reducing the costs of materials, grasping the sales of products, upgrading economic results, and enthusiastically conducting ideological and political work.

The telephone conference was presided over by Chen Yunlin, deputy secretary of the provincial CPC Committee.

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CSO: 4006/1007

ECONOMIC MANAGEMENT

GUIZHOU PLANNING, FINANCE CHIEFS DELIVER REPORTS

HK010125 Guiyang Guizhou Provincial Service in Mandarin 1400 GMT 30 Apr 86

[Excerpts] (Zhou Banghua), director of the provincial Planning Commission, reported to the Fourth Session of the Sixth Provincial People's Congress on the draft economic and social development plan for the province in 1986.

He said: According to the arrangements in the draft plan, total industrial and agricultural output value this year should be 16.2 billion yuan, an increase of 10.7 percent over last year in terms of 1980 prices. Gross domestic product should be 14 billion yuan, an increase of 12.4 percent. National income should be 12 billion yuan, a rise of 11.3 percent. He put forward the following demands:

1. Continue to put agricultural development in an important strategic position and do everything possible to reap bumper harvests. It is necessary to suitably stabilize the sown area of grain crops, keep under control the sown area of industrial crops such as tobacco, and focus on improving yields and quality. We should strive for new breakthroughs in the township enterprises. Townships and villages that have not yet set up enterprises should develop them as quickly as possible. The enterprises already developed should be consolidated and improved. We must appropriately increase input in agriculture and also take effective steps to improve the work of supporting poor areas.

2. Strive to increase output of consumer goods that sell well in the markets. We must also vigorously tap potentials and develop energy, the raw materials industry, and communications and transport.

3. Keep investment in fixed assets under control, rationally readjust the investment structure, and improve the economic results of investment. In accordance with the state's demands, we should strive to base our work on the overall situation and switch our main efforts to tapping potentials, carrying out technological transformation, and improving enterprise management and technical standards.

4. Work hard to earn more foreign exchange from exports and keep under control foreign exchange spending on imports. We must further promote external economic and technical cooperation and exchange.

5. Make proper arrangements for supplying the markets, keep prices basically stable, and continue to improve living standards.

6. Further develop education, science, culture, public health, and sports. We must also strengthen leadership over planned parenthood work and ensure that the natural population growth rate does not exceed 10 per 1,000.

Provincial Finance Department Director (Long Xingyang) said in his report: The province's local budgeted revenue for 1986 is 1.65 billion yuan, an increase of 205 million yuan--13.8 percent--over the final revenue accounts for 1985. The planned expenditure for the year is 2.65 billion yuan.

(Long Xingyang) said: The arrangement for revenue is a positive one, but that for expenditure is rather tight. The contradiction between needs and possibilities is rather conspicuous. In order to fulfill the financial task for 1986, we must make active efforts to arrange things with care and caution.

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ECONOMIC MANAGEMENT

SICHUAN RIBAO URGES DEVELOPMENT OF LIGHT INDUSTRY

HK221555 Chengdu SICHUAN RIBAO in Chinese 7 Apr 86 p 2

[Commentator's article: "It Is Necessary To Maintain an Appropriate Growth Rate in Light Industry"]

[Text] The situation in our province's light industrial production in the first few months of this year was not good. In the first 2 months, both the output value and the tax-profit contributions of light industry declined as compared with the same period of last year, and production costs increased. Although production increased in March, the total output of the first quarter was still less than the same period of last year. This downward trend in industry did not appear in the previous few years. An important reason for this was that the personnel concerned did not realize the necessity of maintaining an appropriate growth rate in light industrial production and did not effectively direct production as they relaxed their efforts.

At any time, we must not neglect the importance of the growth rate. Practice shows that we cannot seek a high growth rate without guaranteeing good economic results, nor can we give up the efforts to maintain an appropriate growth rate, because this will affect the economic results and state revenue. Moreover, light industrial goods are sensitive goods on markets, because they have close relations with people's livelihood. Once they are in short supply, the people will immediately feel the effects of the shortage and market prosperity and social stability will be affected. As we know, urban and rural residents in our province have markedly increased their incomes, and their purchasing power in 1986 is certainly greater than in 1985. This state of affairs sets a higher demand on our light industrial departments, which are required to supply sufficient quantities of light industrial goods of good quality. Therefore, we must maintain an appropriate growth rate in our light industrial production and must try by every possible means to fulfill the target that the provincial authorities assigned to the light industrial departments. It is only necessary but also possible to do so, because the central and provincial authorities have once again reiterated that priority will be given to light industry and the funds, raw materials, and energy needed in light industrial production will be guaranteed. Meanwhile, the quality of our present light industrial goods is still not good enough, the consumption of raw materials in light industrial production is still rather high, and waste remains serious. If we seriously strengthen enterprise management by adopting some modern methods and effectively solve the above problems, we will tap great potential in our production. In addition, we completed a number of construction and transformation projects last year. They now form the new productive capacity that we can employ. This is also a favorable factor. However, we must point out here that when maintaining a certain growth rate in production, we must also pay attention to improving product quality, enriching the variety of products, developing new products of better quality, and increasing the production of marketable and original products, and we must not shift to produce goods of inferior quality and of limited variety which are not needed or favored by the consumers.

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QINGHAI GOVERNOR ON ENTERPRISE PROBLEMS, LIVING STANDARDS

HK270239 Xining Qinghai Provincial Service in Mandarin 2330 GMT 26 Apr 86

[Text] In his report on the Seventh 5-Year Plan, Governor Song Ruixiang stressed: We have formulated a number of policies and regulations in the course of invigorating the enterprises in recent years, and the enterprises have been invigorated to a certain extent. However, there are three outstanding problems that have not been solved well:

1. Some regulations on expanding enterprise decisionmaking powers have not been sufficiently implemented. The old setup of separation between departments and regions and closed-style operations has not been completely dismantled.

2. The enterprises lack a concept of market and competition. As a result, the phenomenon of everybody eating out of the same big state pot has not been completely eliminated.

3. The enterprises' mentality of striving to be large and complete or small and complete and not seeking help from anybody outside has not been completely eliminated.

To solve these problems, we must continue to implement the regulations on streamlining the administration and delegating powers, and truly delegate to the enterprises the powers that should be delegated.

Governor Song Ruixiang said in his report: We must correctly handle the relationship between production and construction on the one hand and improving living standards on the other. We must not one-sidedly stress production and construction and neglect living standards, nor can we improve people's living standards and pay and conditions to a degree in excess of production development. Consumption growth cannot be higher than production growth during the Seventh 5-Year Plan. In principle, the growth of workers' wages cannot exceed the growth of labor productivity. This principle must also be followed when considering and arranging the necessary specially favorable treatment in Qinghai. We must clearly understand that this issue is related to the long-term overall situation of the province's economic development.

We must continue to carry forward the fine tradition of arduous struggle and building the country with diligence and thrift. We must seriously implement the socialist principle of distribution according to labor, mobilize people's enthusiasm, and eliminate egalitarianism. We should allow some people to get rich through legitimate labor, and thus attain the goal of prosperity for all.

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SHANXI MEASURES TO CONVERT DEFICITS TO PROFITS

HK260311 Taiyuan SHANXI RIBAO in Chinese 14 Apr 86 p 1

[Report by Wang Xiusen [3769 4423 2773] and Wang Zhongxin [3769 0022 0207]: "Provincial Economic Commission and Financial Department Formulate Six Measures To Encourage Enterprises To Turn Deficits Into Profits"]

[Text] Following the principle of "bring more pressure, stressing policies and providing opportunities," the provincial Economic Commission and provincial Financial Department recently formulated six measures encouraging enterprises to turn deficits into profits.

Last year, the province's number of loss-incurred enterprises sharply increased. The trend continues this year. By the end of February, the number of state-run loss-incurred industrial enterprises in localities totaled 186, an increase of 55 compared to that by the end of 1985. The amount of deficits totaled 8.78 million yuan. In terms of trades, the number of loss-incurred enterprises increased in the chemical industry, machine-building industry, building material industry, light industry, and so on. In terms of places, the amount of deficits increased in Yangquan, Jincheng, Yanbei, Luliang, and other prefectures and cities. Therefore, the provincial Economic Commission and provincial Financial Department pointed out: First, we should establish at various levels the system of contracted responsibilities of turning deficits into profits, as well as the economic responsibility system in the loss-incurred enterprises and departments in charge of the work. If an enterprise fails to act in accordance with the planned progress of turning deficits into profits, the responsible departments at the upper level should deduct proportionally and month by month the wages based on professional titles, floating wages, and even the basic wages of the principal responsible worker. On principle, the proportion of deduction of basic wages should not exceed 20 percent. We should remove from office those responsible people who are incompetent in implementing measures of turning deficits into profits, or who cannot accomplish the work within the specified time but allow the deficits to increase without any particular reason. We should arrange ordinary work for them, instead of appointing them to administrative posts. Second, we should grasp the major loss-incurred enterprises, and strictly control enterprises that face new deficits. The provincial Economic Commission and provincial Financial Department should announce in every quarter the names of major enterprises with deficits over 20,000 yuan. Third, we should help major loss-incurred enterprises strengthen management, improve product quality, and cut back consumption. The economic commissions, financial departments, banks, and other departments at various levels must continue to offer consultation services to loss-incurred enterprises. They should help the enterprises analyze their economic activities and strengthen their economic accounting. Fourth, we should expedite the pace of technological transformation of loss-incurred enterprises. The provincial, prefectural, and county authorities must allocate a certain amount of funds for technological transformation. Financial departments at various levels must use part of their funds as small loans for technological transformation. Based on the method of checking and ratifying the budget deficits of loss-incurred enterprises of that year, we can continue to grant them loans ahead of schedule. Thus, we can concentrate the financial resources, as well as support and expedite the pace of technological transformation of enterprises, so as to promptly achieve the goal of turning deficits into profits. Fifth, we should be determined in closing or merging some of the enterprises, or stopping or changing their production, as the case may be. Sixth, financial, tax, auditing departments, banks, and other departments must strengthen their economic supervision over loss-incurred enterprises.

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ECONOMIC MANAGEMENT

SICHUAN PLANNING, FINANCE CHIEFS REPORT TO PEOPLE'S CONGRESS

HK010533 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 1 May 86

[Excerpts] Pu Haiqing, vice governor and director of the provincial Planning and Economic Commission, delivered a report to the provincial People's Congress session on 28 April on the execution of the provincial plan for 1985 and on arrangements for the 1986 plan.

He said: To ensure the fulfillment and overfulfillment of this year's plan, the province should focus on the following eight aspects of work in social and economic development: 1) Continue to get a good grasp of agricultural production and strive for overfulfillment of the planned grain target. 2) Step up ideological and political work for staff and workers to ensure the fulfillment of this year's industrial production targets. 3) Carefully organize the production and allocation of electric power, to ensure supplies for industrial and agricultural production. 4) Vigorously develop urban and rural collective enterprises. Particular attention must be paid to developing collective industry. 5) The functional role of the banking departments must be brought into full play. The work of raising and channeling capital must be grasped well, and the contradiction of extreme shortage of capital should be eased. 6) Further develop lateral economic ties and cooperation based on the principle of mutual interest and benefit and common development. 7) Strengthen controls over investment in fixed assets and continue to control the size of such investment. 8) Seriously implement the principle of consolidation, digestion, replenishment, and improvement, and continue to carry out all-round economic structural reform focused on the cities.

The province scored notable success in economic and social development in 1985. There was a relatively big increase in revenue and expenditure. The budget was balanced with a slight surplus. This was stated by provincial Finance Department Director (Duan Bingren) on 28 April in his report to the provincial People's Congress session on the final accounts for 1985 and the budget for 1986.

Total revenue last year was 8,410,150,000 yuan. After deducting 6,423,210,000 yuan in expenditures and certain other expenses, the province had a total surplus of 555.72 million yuan. Both the budgeted revenue and expenditure for this year are 6,716,570,000 yuan.

(Duan Bingren) said: The task of achieving this year's budget is very arduous. We must therefore strive to do the following tasks well: Further reform the financial setup; bring into full play the lever role of taxation in regulating the economy; do a good job in supporting poor areas; vigorously organize revenue; economize all capital expenditures; carry out a major inspection of taxation and finances; and strive to fulfill the task of subscribing for state bonds.

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TIANJIN VICE MAYOR SPEAKS ON INDUSTRIAL PRODUCTION

SK030144 Tianjin TIANJIN RIBAO in Chinese 20 Apr 86 p 1

[Text] On the afternoon of 19 April, Vice Mayor Nie Bichu spoke on the current industrial production at the sixth plenary meeting of the municipal government. He urged the whole municipality, from the higher levels down to lower levels, to seize the golden opportunity of the second quarter for industrial production, heighten the spirit, overcome difficulties, actively make progress, and guarantee a rational growth rate of our municipality's industrial production on the premise of improved economic results.

After analyzing the current situation in industrial production, Nei Bichu pointed out: We should successfully carry out the industrial production in the second quarter in the spirit of "going all out to catch up." In the course of arranging production, we should not only note the unfavorable factors but also favorable conditions and the increasing favorable factors. We are gradually adapting ourselves to the new situations and new problems arising in exercising macroeconomic control. Major difficulties in the supply of funds, foreign exchange, energy and raw materials, which existed earlier this year, have largely been alleviated thanks to the efforts of various fields. The production of a group of goods in short supply has been increased, and a group of new construction and expansion projects will go into operation and yield benefits. In particular, the masses are in a basically stable mood and their minds are at ease. It is totally justifiable for us to carry out industrial production more successfully.

How should we grasp well the current industrial production? Nie Bichu pointed out: First, we should overcome difficulties, actively make progress, and maintain and develop the good trend of sustained growth in our municipality's industrial production. The objective difficulties facing the current industrial production are a normal situation universally existing in the course of macroeconomic control, not an isolated phenomenon existing only for a short period of time. Leading cadres at all levels should have a correct understanding of and mental preparation for this, maintain a good mental attitude and a high morale for making progress through exploration, make a specific analysis of these difficulties, have a good idea of them, mobilize and organize the masses to conquer them, and promote the production of the second quarter and the whole year in a down-to-earth manner. Second, we should further improve and change our workstyles, and continue to strengthen the organization and management of production. Leading cadres at all levels should go into the realities of life and to worksites, and directly solve specific problems in production that may arise at any time. While strengthening the organization and management of production, we should intensify the analysis fo the economic trends, clarify the subjective factors affecting production, and accurately spot problems. All departments and units assigned to solve specific problems should make clear their responsibilities and duties, pay attention to actual results, and refrain from buck-passing, procrastination, and loss of opportunities. Third, we should give different guidance according to different cases, guarantee the key areas, and use our limited financial and material resources where they are most needed. We should mobilize and organize the forces from various quarters, and try all possible means--from the supply of electricity, funds, foreign exchange, and materials, ideological and political work, the deployment of cadres, and the improved responsibility system to various coordinated economic policies--to guarantee the production of goods in short supply and of the key enterprises which produce export products, create large amounts of profits and taxes, and affect the overall economic situation. In this way, the main part of our municipality's industrial production can be stabilized. In the meantime, key enterprises should all the more give play to their role of subjective initiative and never foster an idea of relying on others. Fourth, we should have good organization for the operation of completed projects, step up the production of the projects already put into operation, and make them yield economic returns as soon as possible. In the future, we should be strict when testing and approving construction projects, and never approve and cut the ribbon for any project which fails to yield the designed benefit because of construction problems. Technical transformation projects should reach the designed capacity within 2 years after they are put into operation. Fifth, we should improve and strengthen management. We should expedite the readjustment of product mix, greatly increase the production of the goods urgently demanded in markets, stabilize and upgrade product quality, reduce consumption, and exert great efforts to sell products and collect loans. Sixth, we should strengthen ideological and political work and conscientiously implement the responsibility system. At present, enterprises should use well the various encouraging policies granted by the state and the municipality, assign targets to every subordinate unit, make it responsible for the assigned targets, strictly examine the results, and ensure that industrious units are awarded and lazy ones are punished. We should particularly do a good job in ideological and political work and truly establish the economic responsibility system on the basis of the high awareness of staff members and workers. Seventh, we should show concern for the lives of staff members and workers, and do a good job in production safety. Leading cadres at all levels should try their best to successfully carry out the welfare related to the lives of staff members and workers. In the distribution of the public benefit of enterprises, leading cadres should be examples, and refrain from competing with the masses for more benefit. All units should improve security organizations and preventive measures.

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ECONOMIC MANAGEMENT

REGULATIONS ON FIXING PRICES ACCORDING TO QUALITY

Beijing JIAGE LILUN YU SHIXIAN [PRICE: THEORY AND PRACTICE] in Chinese No 6, 20 Nov 85 pp 29-30

[An Outline by Ling Bin [0407 1755]: "Brief Introduction to Regulations on Fixing Prices According to Quality as Issued by the Various Departments of the State Council for the Period January to July 1985"]

[Text] Items of the Machine-Building Industry

The following are the results reported by the Ministry of Machine-Building Industry on 23 January 1985 of a reexamination of the quality of 842 products, which prior to 1983 had been appraised as "nationally excellent" and as "departmentally excellent:" (1) Items found up to standards totaled 625, or 74.2 percent of the total number of all such items. During the period of validity of their "excellent quality" designation, these products must use "excellent quality" markings, so that users may exercise supervision of their quality and to qualify for "excellent quality" and preferential pricing privileges prescribed in relevant documents. (2) Twenty-three products, i.e. 2.7 percent, were not up to relevant international standards or current standards and were disqualified as "excellent quality" products. (3) Twenty-three items, i.e. 2.7 percent, were outmoded products or products produced in small quantities, for which the factories on their own initiative proposed cancellation of the "excellent quality" designation and items which had not yet attained international standards, which, therefore, had to be taken off the list of "excellent quality" products. (4) Forty-five items were officially declared disqualified as "excellent quality" products and were found in need of updating and upgrading, 52 items were not accepted as up to relevant international standards, 10 items were one-time products, and for 41 items the period of validity had expired, making altogether 148 items in this category, or 17.6 percent, of all products under reexamination. (5) Twenty-three products, i.e. 2.7 percent, were still being examined.

Method of Appraising State-Designated Excellent Products

On 8 February 1985, the State Council approved and circulated "Some Provisional Regulations on Enhancing Technological Progress," drawn up by the State Economic Commission. The following is the gist of these regulations as far as they concern the appraisal of products as being state-designated "excellent quality:" (1) The original system of having state-designated "excellent quality" products appraised as such by the State Commission for Quality Awards has now been changed to a system of having the said commission allocate certain numbers of items to be controlled by the various departments, trades and industries, whose quality award committees shall report their appraisal to the State Quality Award Commission for final approval. International standards must be applied in the case of state-designated excellent quality products (except in cases of uniquely Chinese characteristics). The organ authorized by the State Economic Commission to carry out these quality appraisals must establish on examination that the product in question is up to the advanced national level of the last 3 to 5 years. (2) State-designated excellent quality products should be selected from among products that have a major impact on the national economy. Ordinary products should be merely appraised as departmentally excellent quality products. (3) The appraisal and selection of state-designated excellent quality products shall gradually become a regular and scientifically performed practice. It is necessary to strengthen and build up as rapidly as possible a product quality appraisal center at the state level for the appraisal of important products, and to gradually establish a set of scientific sampling, testing, evaluation and appraisal procedures. (4) The supervision and control of state-designated excellent quality products must be improved. If quality declines, prompt measures must be taken to ensure improvement of product quality within a certain time limit, and, if necessary, the state-designation of excellent quality product shall be cancelled for the product in question, and notice of its adverse evaluation shall be circulated.

Grain

The "Plan for the Adjustment of Policy and Prices Governing the Procurement and Sale of Grain and Edible Oil in the Rural Areas," issued by the State Council on 13 March 1985, prescribes that, for the purpose of implementing the principle of higher prices for high quality and lower prices for low quality, all provinces, autonomous regions and directly administered municipalities may, figuring on the 1985 fixed purchasing quota quantities for the three large categories of commodities, and on the premise of not overstepping the general level of the "inverted 3 to 7" price ratio, appropriately raise the price ratio for easily saleable high-quality products and reduce the price ratio for low quality or sluggishly selling products. However, the price of nonglutinous rice must be controlled so as not to exceed the "inverted 2 to 8" proportion, with the wheat of North China not to exceed the "inverted 3 to 7" proportion, while the wheat of South China and the corn in the main producing areas may be allowed to appropriately fluctuate downward, attention being paid to dovetail all prices with those of neighboring areas. Well known high-class rice may be freed from controls, and its pricing left to market regulation. Seed grain produced by farms (households) specializing in the production of high-quality seed grain are not to be included in the system of fixed quotas of contractual purchases, but may be traded by the seed grain departments in charge, and may also be freely bought and sold. Because the principle of higher prices for high quality is to be observed when purchasing grain under fixed quotas, the system of advance mortgaging of certain well known high-class grain types for future procurement is not to be employed.

Coal

In the "Report on the Plan to Broaden the Regional Price Differences of Coal Under Unified Distribution and to Adjust Price Ratios Between Different Types of Coal," drawn up by the State Commodity Price Bureau and the Ministry of Coal Industry, approved and circulated by the State Council on 15 March 1985, it was decided to adjust the price ratios for different types of coal under unified distribution, including adjustments in the price ratios between 17 types of coal, such as coal concentrate, lump and slack coal, as well as the adjustment in the price parities between coking coal, fat coal, lean coal and brown coal. (1) The ratio of washed coal to raw coal was raised from the current 156 to 165 percent. (2) The present price for dressed coal, being 2 percent lower than for raw coal, is very unreasonable. The price for dressed coal will be raised to 5 to 10 percent in relation to raw coal. (3) Coking coal and fat coal are the main types of coal used in China's industry, but resources are limited, and the price ratio of coking coal and fat coal to ordinary coal for motive purposes will be adjusted from 110 to 120 percent. (4) The calorific capacity of lean coal is higher than that of long flaming bituminous coal, but its price is 15 percent lower than the price for long flaming bituminous coal, which is very unreasonable. In future the price parity will be raised from 85 to 95 percent. (5) The price originally fixed for brown coal is excessively low; its price parity will in future be raised from 80 percent to 83 percent.

Urban Public Transportation

In the "Report on the Improvement of Urban Public Transportation" of the Ministry of Urban and Rural Construction and Environmental Protection, approved and circulated by the State Council on 19 April 1985, it is pointed out that newly opened routes over urban main thoroughfares and routes serving mainly tourist traffic shall be equipped with high-quality cars. The principle of higher prices for high-grade service shall be applied, and no monthly tickets shall be sold.

Medical and Public Health Services

In the "Report on Certain Policy Questions Concerning Reforms in Public Health Work" by the Ministry of Public Health, approved and circulated by the State Council on 25 April 1985, it is pointed out that gradual reforms are to be effected in the current irrational system of charges. Presently, it may still prove difficult to carry out a universal adjustment of medical fee standards, and no large-scale adjustments will be carried out in 1985. However, a tariff of charges based on costs may be instituted in certain cases where new instruments and new items of equipment are used and where new medical treatment is given. In the case of newly constructed, renovated or expanded medical units with otherwise favorable conditions, medical fees may be appropriately raised. Sickrooms may be of different classes and charged at different rates. Different tariffs of charges may also be applied in case of special arrangements or at private clinics. In the case of collective or individual medical facilities, medical fees may be more flexible, allowing them a certain margin of profit. The specific items to be adjusted or the extent of adjustments may be determined by the various provinces, autonomous regions and directly administered municipalities themselves according to local conditions.

Coal Gas

The "Report on the Accelerated Development of the Urban Coal Gas Industry" by the Ministry of Urban and Rural Construction and Environmental Protection, circulated by the State Council on 8 July 1985, points out that it is necessary to employ economic levers to arouse enthusiasm for the undertaking of coal gas development, and to follow the principle of higher prices for better quality. The principle on which coal gas pricing must be based is that the prices must preserve the principal investment and must yield a small amount of profit. Charges for civil use of gas must be slightly higher than expenses for burning coal. Charges for gas used for public welfare purposes shall be higher than the price of gas for private use, and rates for industrial use of gas shall be higher than rates for public welfare use of gas. Where the sources of gas are bought at high price, the gas will have to be sold at high price, but pricing must adhere to the principle that prices must be within the limits which the consumers can accept as bearable. Cities that newly undertake providing coal gas must at the start fix reasonable rates for their gas according to the above-stated principles that are to govern price determination.

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ECONOMIC MANAGEMENT

BRIEFS

ECONOMIC COOPERATION MEETING HELD--The first joint meeting of the Fujian-Guangdong-Jiangxi border region economic and technological cooperation zone was held at Longyan, Fujian, from 26 to 28 April. Representatives of Longyan in Fujian, Meixian in Guangdong, and Ganzhou in Jiangxi exchanged information on economic development and discussed questions of lateral economic ties between localities and enterprises. Representatives of the three areas and also of the technological consultative services company of the Ministry of Astronautics Industry, who were invited to attend, held extensive talks on technological cooperation projects in railroads, highways, energy, electric power, pottery and porcelain, minerals, grain, technical equipment, and commodity purchase and sales. Letters of intent regarding cooperation in 46 projects were signed. Longyan, Meixian, and Ganzhou constitute the border region of these three provinces. Economic development there has been relatively slow. In January this year, a responsible person of the Meixian Prefectural Commissioner's Office proposed the establishment of the cooperation zone, and this was agreed to by Longyan and Ganzhou prefectures. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 3 May 86 HK] /12766

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FINANCE AND BANKING

PRC OFFICIAL ON REFORM OF CHINA'S FINANCIAL SYSTEM

Hong Kong WEN WEI PO in Chinese 21, 22 Mar 86

[Abridged text of speech given by Zhao Haikuan [6392 3189 1401], director, Financial Research Institute, People's Bank of China, at the colloquium "Reform of China's Economic System" at the Asian Studies Center of the Hong Kong University: "Reform of China's Financial System"]

[21 Mar 86 p 10]

[Text] In the course of the reform of China's economic system, reforms were also actively pursued in the banking system. This writer is one of the participants in this reform. With this article I wish to give some introductory information on this reform and also express some views, which may serve students of the reform as reference.

Since the start of the reform of our economic system, and in line with the demands posed to banking work by the state's unified setup and the reform of the economic system, China's banks have indeed implemented a large amount of reform measures, among which the following are the main aspects:

1. The Initial Establishment of a Banking System With Government Administration Separated From Enterprise Management

Prior to the 3d Plenum of the 11th CPC Central Committee, domestic banking business in China was centralized in the People's Bank of China, which was China's currency issuing bank but which also transacted all ordinary banking business.

Since the start of the reform of China's economic system, the bank became burdened with more and more tasks, which made it necessary to set up several specialized banks and other credit institutions to take on certain sections of banking business. Finally, in the first half of 1979, the State Council decided to revive the Agricultural Bank of China as a specialized bank in charge of banking in the rural areas. In the same year, the State Council approved elevating and expanding the position and scope of business of the Bank of China, and, furthermore, decided that investments in capital constructions were gradually to be changed from fund allocations by the finance administration to bank loans, to be granted and managed by the Bank of

Construction. In 1980 the State Council approved the resumption of domestic insurance business by the People's Insurance Corporation of China, which thus became a company to handle all insurance business. Of particular importance was the State Council's decision of 17 September 1983 to have the People's Bank of China assume the special function of central bank, and the establishment of the Industrial and Commercial Bank to undertake industrial and commercial credit and savings bank operations, which formerly had been tasks of the People's Bank. Later, the state again authorized setting up on a nationwide scale more than 30 trust and investment companies at the provincial level. Thus, what basically had taken shape was a new banking system (perhaps to be called a financial system), composed of the People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the People's Construction Bank of China, the People's Insurance Corporation of China, the rural credit cooperative societies, the local trust and investment companies and other financial institutions.

In the new banking system, the People's Bank of China is central bank, currency issuing bank and the state organ through which the State Council guides and controls the entire nation's financial affairs. The Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China, the Construction Bank of China, the People's Insurance Corporation of China, the rural credit cooperative societies, and the other financial institutions are financial enterprises to handle certain particular aspects of banking business.

Establishment of the new financial system has created favorable conditions for the invigoration of banking business and for the strengthening of macrofinancial controls. The existence of this plurality of financial institutions helped strengthen guidance of banking business, provided a means of comparison of the quality of business operations among the financial institutions, and by a certain competition between them will increase pressure toward greater business activity and greater efficiency. At the same time, government administration is separated from enterprise management in the new financial system; the People's Bank is a state organ, while all financial institutions are financial enterprises. The People's Bank is, therefore, in a position to concentrate in its work on macroeconomic regulation and on the guidance of all financial work, while the specialized banks are able to employ the methods of enterprise management, to actively pursue various types of banking business, as demanded by the reform of the economic system, and thus to promote the invigoration of the entire economy, on the premise of an effective control of the macroeconomy.

2. Reforming the System of Controlling Credits

In the past, the system of controlling credits in China was highly centralized; deposits received by all banking institutions were centrally held by the head office for distribution and use. For loans, the head office would assign plan quotas, and it was not permissible to switch quotas among different credit requirements. Facts have proven that this system of unified control of deposits and loans, with its excessively meticulous and rigid control by the head office, was not conducive to stimulating enthusiasm among the basic-level banks for increased efforts to obtain deposits or to do a good job of granting credits.

To overcome these drawbacks in the management of credits, to appropriately expand the self-determination of the basic-level banks and arouse their enthusiasm for increased and more effective credit operations, China, from 1979 on, began to manage credits on the basis of a balance between funds taken in and funds being used.

Although the method of control by such balancing is a certain improvement over the centralization of deposits and loans, since the absorption of more deposits will increase funds available for loans, always on the premise of not exceeding the balance, and will be apt to stimulate the enthusiasm of all specialized banks, it also gave rise to a number of new problems. The differential frequently grew too wide, and while the loan deficiency can still be made up, the central bank was unable to effectively control the scope of lending. To further improve the management of funds and strengthen the macrofinancial control, the central bank, from 1985 on, instituted a new method of credit fund control of the specialized banks. By this method the central bank, when determining the annual loan deficiency of the specialized bank, will at the same time set a limit to its loan of funds to the specialized bank. The branch bank of the central bank will then extend loans to the specialized bank within the limits set by its own bank, in line with financial policy and financial strength. The practice of one year has proven that the new method of controlling credits can indeed effectively control the scope of credits.

In addition to the above-stated reform of the system of controlling credits, efforts to invigorate banking business in recent years included the guided opening up of certain credit activities through market regulation, for instance, opening up commercial credits and trying out commercial credits by way of negotiable instruments. Enterprises were permitted to sell merchandise on credit, to advance loans, and also to try out the use of drafts as documentation of an obligation. The drafts could be discounted by banks.

With the approval of the authority in charge, enterprises can issue shares or bonds to raise funds in the market. In 1985 the Agricultural Bank of China and the Industrial and Commercial Bank of China also issued 1-year-term financial bonds at 10.8 percent annual interest.

The basic-level banks may mutually extend short-term loans to adjust mutual fund surpluses and deficiencies.

The trust and investment companies accept entrustments and transfer funds on behalf of units; they will grant loans or make investments according to the parties and for the purposes designated by the principal and according to the capital put up by him. They will act as agents for the issue of shares and bonds, take property in storage, rent out, or act on behalf of enterprises in renting out advanced equipment.

3. Expanding the Scope of Banks for Granting Loans

In this respect, comparatively important reforms have been made in the following areas:

(1) Fixed asset loans. It had been a long-standing rule in China that banks could grant only circulating capital loans, but not fixed asset loans to industrial and commercial enterprises. The role of banks in the fund operations of enterprises was thus limited to a comparatively small sphere, because as capital is being taken up by Chinese state-run industrial enterprises, over 60 percent is in fixed assets while circulating capital amounts to less than 40 percent. This is very detrimental to our socialist construction. Besides, the said rule lags far behind the world trend in banking business developments. Not only is there no such restriction on the banks of the Western countries, but the system has even been changed in the Soviet Union, which had originally introduced the system to us. They all grant circulating capital loans as well as fixed asset loans. In view of these facts, the People's Bank of China broke with the old restriction and began in 1979 to extend loans to enterprises for technological transformations and capital constructions.

The facts have shown that when the banks grant fixed asset loans, because of their widespread organizations and long-standing contacts with the enterprise in connection with deposit, loan, settlements and other business, the banks will be quite familiar with the history and actual conditions of the enterprises, and will as far as possible select loan projects which will yield good economic results. Loans are granted and repaid, interests are collected, and the banks that grant the loans will also have special staff to handle credit business with the enterprises. These staff will be in contact with the enterprises and in a position to exercise supervision over the loans from beginning to end, making sure that the loans will be used in a rational way. Compared with the allocation of funds by the organs of the financial administration, bank loans are more beneficial in that they ensure that the nation's capital funds are being used effectively to invigorate the economy.

(2) Granting loans to individual entrepreneurs. Following the 3d Plenum of the 11th CPC Central Committee, the individual economy made very rapid progress in China, an individual economy which is linked with the system of socialist public ownership. It played an important role in the development of social production, in improving the people's livelihood and in providing additional employment for our manpower, proving itself to be a necessary supplement to the socialist economy. The banks started granting loans to individual entrepreneurs precisely for the purpose of supporting this economic development. There are now many individual entrepreneurs, spread widely over the whole country. As the risk in loans to them is high, lending procedure must be strict. Granting these loans further enriches the loan operations of the banks and raises the responsibility of the banks in their loan operations.

4. Greater Attention to Interest Rates as Effective Lever

Interest rates constitute an important economic lever and an effective means by which the banks can regulate the national economy. However, prior to the

3d Plenum of the 11th CPC Central Committee, interest rates were little differentiated, rate differences were small and the rates were not changed over long periods of time, so that this economic lever was never truly brought into play. Taking the interest rates for loans to urban enterprises as an example, the same interest rates were applied, regardless of what kind of enterprise was involved and what type of loan was given. The interest rates of banks at that time were indeed nothing but "dead levers."

Since 1979, the banks substantially reformed the interest rate system, first of all raising interest rates by a large measure. The following table shows the changes in the main bank interest rates by a comparison of rates at the end of 1985 and at the beginning of 1979:

Types of Interest	1979 Rates (annual)	1985 Rates (annual)	Increase (%)
Deposits by urban and rural individuals:			
Current deposits	2.16	2.88	33
1-year fixed "	3.96	7.20	80
3-year fixed "	4.50	8.28	84
5-year fixed "	5.04	9.36	86
8-year fixed "	-	10.44	-
Circulating capital loans	5.04	7.92	57
1-year fixed asset loans	-	9.36	-

As a second step, interest rates were further differentiated, and a policy of differentiated interest rates was instituted. For instance, additional rates were added among the loans to industrial and commercial enterprises, such as interest rates for fixed asset loans, interest rates for overdue accounts, penalty interests for illegally encroaching on or diverting loan funds, floating interest rates, etc.

The reform of the interest system is playing a positive role in increasing the construction funds of the nation and in promoting the improvement of business management in the enterprises.

5. Introduction of Economic Accounting Systems in the Internal Operation of Banks

Prior to the reform, an erroneous "Leftist" ideology had prevailed in China for a long time with the belief that banks are service and supervisory organs of the national economy and need not bother about their internal trivial accounting. The "small" accounts of banks were thought of as something standing in opposition to the "large" account of the national economy, and no serious attention was ever paid to economic accounting in banks. Since the 3d Plenum of the 11th CPC Central Committee, as the reform of the economic system progressed, there has been some improvement of economic accounting in banks, and starting in the first half of 1979 the "Provisional Regulations Governing Economic Accounting in the People's Bank of China" have been put into effect. These regulations prescribe that all basic-level banks must keep accounts of the utilization rate of credit funds, of work quality, of work efficiency, and of expenses and profits, and it is on the basis of the fulfillment of these norms that they will draw enterprise working funds.

There are, of course, still many problems in the current economic accounting procedure of the banks, problems that await solutions in the theoretical as well as in the practical field. However, it is gratifying that the first step has been taken, thereby laying the foundation for further reforms in the future.

6. Initial Employment of Economic Means To Exercise Macrofinancial Control

After the initial invigoration of the national economy and banking, the People's Bank of China as central bank is now gradually attaching greater importance to the use of economic means for the control of the macroeconomy. It is by increasing or reducing loan quotas to specialized banks, by changes in interest rates and in the deposit reserve fund rate that the bank controls the amount of currency and the scope of loans. In 1984, because of the excessively large capital constructions, consumption funds increased too fast. Furthermore, conditions were not yet sufficiently developed for the exercise of macroeconomic controls by merely economic means, so that controls were ineffective, and the macrofinancial situation got somewhat out of hand. In order to effectively strengthen the macrofinancial control, it still became necessary in 1985 to increase certain administrative means, such as command-style planning in the direct control of the overall amount of lending by the specialized banks, etc., but economic means were also sharing in the improvements and strengthening of controls. For instance, the level and structure of interest rates were adjusted, deposits were scrupulously turned in into the deposit reserve fund, and the earlier mentioned reform of the credit fund management system was carried out. All this has laid an initial foundation for the gradual transition in China to a system of mainly using economic means to effect macrofinancial control.

[22 Mar 86 p 10]

[Text] Progress in the reform of the banking system is determined by progress in the reform of the economic system. In the "Proposal of the CPC Central Committee for the Seventh 5-Year Plan for Development of the National Economy and for Social Development" it is pointed out: "To guarantee the successful realization of the Seventh 5-Year Plan and an even more extended sound and harmonious development of China's national economy, it is most important to act in accordance with the "Resolution" of the 3d Plenum of the 12th CPC Central Committee, namely to move forward, unswervingly as well as carefully and steadily, in our reform of the economic system and to strive to lay the basic foundation for the coming 5 years, or for an even longer period of time, for a socialist economic system with Chinese characteristics, full of vigor and vitality." This is also the principle that is to guide progress in the reform of the banking system. We too must lay the foundation for the accomplishment of the final objective in our banking reform within the above-mentioned period of time. For this purpose, it will perhaps be necessary in the coming reform of the banking system to take further measures in the following directions, basing on the achievements of the first stage of the reform:

1. Improvement of Our Macrofinancial Control To Rely Mainly on Economic Means

The People's Bank of China, in its capacity of central bank, is one of the most important organizations for macrofinancial control. On the basis of the growth rate of the GNP in the particular year, on the probable extent of commodity price increases and on other similar factors, the bank must compute at the beginning of each year at what rate the currency supply will have to be increased. It must, furthermore, compute, according to the historically normal proportion between currency supply and total amount of loans, to what extent the overall amount of nationwide loans must be increased. And again, it must compute, on the basis of the normal proportion between the total amount of loans and the amount of reloans by the central bank, the amount needed by the central bank for its reloans. These factors, after approval by the State Council, must serve as basis for the macrofinancial control to be exercised by the central bank.

Based on the conditions of economic developments and of the currency circulation in the market, the central bank must control, in the course of the year and within the approved amount of its reloans, the overall amount of loans, and exercise this control by means of adjusting interest rates and the rate of deposits required to be made into the deposit reserve fund, and hence control the total amount of social currency supply and achieve the objective of a macrofinancial control.

The inflexible requirement of loans for such procurements as grain and cotton must be made separate items, for which the head office of the People's Bank is to provide funds. For fixed asset loans and township enterprise loans, the specialized banks must be given special quotas, which must not be exceeded without special approval. As to loans for other purposes, these must be provided by the specialized financial institutions within the limits of their own financial strength. Their ability to make loans will depend on the amount of deposits or loan repayments they take in. The central bank will not limit such loans by loan quotas, nor will it be responsible for loans granted by the specialized financial institutions in excess of what was permitted within the framework of the macrofinancial regulation. The specialized financial institutions must also extricate themselves from responsibility for capital requirements they have assumed for enterprises.

The People's Bank of China must strengthen the development of a legal system dealing with financial matters, establish sound financial rules and regulations, and also laws and regulations on auditing and it must also strengthen auditing work. The business activities of all specialized financial institutions shall be subjected to periodical and irregular audits and investigations, and any irregularities discovered shall be severely dealt with, so as to ensure an effective macrofinancial control.

2. Continuous Opening Up and Invigorating of the Economy; Strengthening the Vitality of Our Financial Undertakings

With respect to these problems, we may consider the following:

In view of the objective demands posed by the reform of our economic system and by the socialist construction, we must further expand the scope of business activities of our banks, increase the variety of business operations and broaden the authority of the basic-level banks. All specialized banks shall effectively handle the business of granting loans to state-run and collective-run enterprises, and at the same time actively conduct deposit, loan and account settlement business for the individual economy. They shall completely include the individual economy in the sphere of banking business activities. Commercial credits shall universally assume documentary forms, and the specialized banks shall deal with the business of discounting bills, while the central bank shall rediscount such bills. Further efforts shall be made to increase saving deposits from urban and rural citizens; saving deposits may be handled by all specialized banks, credit cooperative societies and post offices. As soon as possible an electronic computers network shall be set up, credit cards shall be introduced, and depositors shall be afforded more active services by facilitating their deposits and withdrawals. In the settlement of accounts, payment by checks should be tried out in transactions with individual industrial and commercial entrepreneurs and individual persons. In economically developed areas and areas of tourism traveller's checks shall be introduced on trial. The settlement of accounts of neighboring areas with good communication facilities shall be changed from "out-of-town" to local settlements.

When subjected to the macrofinancial control of the central bank, and on the premise of observing the state's credit policy, all specialized financial institutions shall be authorized to grant loans at their own discretion, while at the same time bearing full responsibility for the risks involved in the loans. Within a certain scope, overlapping of business operations between the various specialized financial institutions shall be permissible. They shall be encouraged to compete with each other in attracting deposits, in the service to their customers and in the improvement of their business management, so as to increase external pressures on them and in the interest of invigorating banking business.

With the approval of the People's Bank, the specialized banks and trust and investment companies may issue debentures to raise funds from among society in general.

Commercial drafts may be discounted, debentures may be traded, financial organizations may extend short-term loans to each other. Under the direction and control of the People's Bank, a variety of financial tools may be used to actively develop horizontal financial accommodation and to promote the gradual formation of a capital market.

Where need exists in large and medium-sized cities, credit cooperative societies may be set up to handle deposit accounts, loans, saving accounts, insurance and money transactions for the urban small-scale collective economy and for individual entrepreneurs. As required by the developing economy, and with due approval by the head office of the People's Bank, the establishment of further banks may be considered. All financial institutions must submit to the guidance and control of the People's Bank, must observe state policy and according to regulations make payments to the deposit reserve fund at the People's Bank.

3. Instituting Enterprise-Style Management in Specialized Banks; Increasing and Invigorating Internal Drive in the Banking Business

Whether the specialized banks will be able to institute enterprise-style management is a factor that will decide whether banking business can be invigorated and whether macrofinancial control can possibly be achieved. If it is intended to have the specialized banks achieve enterprise-style management, it is again necessary to provide a correct solution for the problem of coordinating the interests of the specialized banks with the overall interests of the state. In order to encourage people to actively open saving accounts, to turn consumption funds into production funds, to increase the amount of construction capital, to retard purchasing power embodied in these amounts of currency, and to effectively regulate the currency circulation in the market, the state has prescribed under the current system comparatively high interest rates for long-term fixed deposits. From the viewpoint of the overall interests of the state, this is absolutely necessary, but this causes an upside-down situation in the interest rates, which is a detrimental factor in the economic accounts of the specialized banks. The current interest rates for fixed deposits for 3 or more years are higher than interest rates for circulating capital loans, and specialized banks that would take in these long-term deposits would lose money. As to loans by banks, the state prescribes that comparatively low interests shall be charged to enterprises that are well managed, work with low production costs and have quick turnover of capital or which produce products of great significance. Enterprises that are badly managed, work with high production costs, have a slow turnover of capital, and require relatively large loan capital, or enterprises that divert capital to irrational uses or that are unable to repay loans on due dates shall be charged high interest rates. These measures should encourage enterprises to improve their business management and increase manufacture of products needed by the nation. However, if enterprises with good management increase, enterprises with bad management decrease and macroeconomic results improve, the interest income of the banks will decline. In the opposite case, if well-managed enterprises decrease and badly managed enterprises increase, it will possibly increase the interest income of the banks. Under this system of interest rates, instituting free enterprise-style management in the specialized banks will possible have the effect that they will become reluctant to accept long-term saving deposits, as they will in that case rather grant more of the high-interest loans and grant fewer loans for items which might be of the greatest significance for the construction of the national economy, for which they would be required to charge interests at preferential rates. Acting in this manner would harm the construction of our national economy.

To overcome this contradiction, it will be necessary, when conditions have matured, to radically change the current system of interest rates. The central bank shall determine only the key interest rates and the upper and lower parameters of fluctuation, while specific interest rates shall be fixed by the specialized banks themselves within the parameters of fluctuation. Before this is done, the central bank should as soon as possible decide on a procedure to coordinate interests, so that the interests of the specialized banks, when attracting credit funds and when using credit funds, will coincide with the overall interests of the state. By allowing the specialized banks to adopt business activities according to their own interests, we shall implement the macrofinancial policy decision of the central bank and effectively promote the construction of our national economy. We must also establish more or less conformity between the profits of the specialized banks and the extent of their professional efforts; profits computed in proper business accounting will stimulate the business activities of the specialized banks.

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STATUS OF FOREIGN DEBTS DISCUSSED

Hong Kong WEN WEI PO in Chinese 10 Apr 86 p 10

[Article by Wu Nianlu [0702 1819 7627], deputy director, International Monetary Research Institute, Bank of China: "The Status of China's International Indebtedness"; an abridged version of a speech given at the symposium "China's Foreign Trade and Investments"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee in 1979, under the general and specific policies of invigorating the domestic economy and opening up to the outside, China has achieved initial successes in the utilization of foreign capital.

The 3d Plenum of the 12th CPC Central Committee in 1984 passed the resolution on the "Reform of the Economic System," thus reaffirming China's fundamental policy of opening to the outside, a principle which was restated by the CPC National Congress in 1985.

Forms of utilizing foreign capital and channels for foreign capital show great diversity. It is intended here to introduce briefly the status of China's international indebtedness and the way it is managed.

During the period of the First 5-Year Plan, due to the economic blockade of China by Western countries, China mainly borrowed from the Soviet Union. These repeated loans, in rubles, amounted to about $1,427,000,000 equivalent in American dollars and served the construction of 156 projects. A part of China's industrial capital constructions has been accomplished with Soviet loans. Principal and interests of all these loans were basically repaid by 1965. At this time, China's economic assistance, loans at low or no interest and gifts of money and materials to certain developing countries amounted to several billion dollars, by far exceeding China's loans from foreign sources.

In recent years, in the wake of China's opening up to the outside and the development of its international economic, trade and technological intercourse, China's loans from Western countries assume a greater diversity of forms. Apart from short-term loans in connection with general import and export trade, China, from 1979 to 1985, signed foreign loan agreements to the amount of $20.3 billion and commodity credit agreements to the amount of $1.762 billion. Of these amounts, $15.6 billion of foreign loan funds and $1.340 billion commodity credits have actually been used. In 1985, the amount of foreign loan agreements was $3.530 billion and of commodity credit agreements $365 million. The following are further details:

1. Loans from International Financial Organizations

China borrowed from the International Monetary Fund $309 million trust fund loans and $450 million first line credit. All these loans were paid back by 1984.

Loans contracted with the World Bank amounted to $3 billion (of which $1.77 billion were hard loans, or 61 percent, and $1.2 billion were soft loan special drawing rights, or 39 percent. The amount of hard and soft loans actually used up to now is only one-third of the total, namely $880 million).

Loans contracted with the UN's International Fund for Agricultural Development amount to $85 million, which are mainly being used for the improvement of the northern grasslands, development of animal husbandry and improvement of saline-alkali soil. Of this loan, only somewhat over $8 million have actually been used by 1985.

Loans from international financial organizations have the advantage of favorable interest rates and extended terms. In the case of the World Bank loan, a systematic, comprehensive and strict system and method governed the selection of the projects in question and their appraisal, and extended to the execution and supervision of all projects, which, moreover, were accompanied by technological assistance, so that the effectiveness ratio of the loan projects and their economic results were very high.

2. Loans from Foreign Governments

At present, the governments or official finance organizations of 15 Western states have agreed to grant China credits amounting to a total of about $5 billion. Most prominent is the $1.5 billion loan for projects of the Japan Cooperation Fund. Japanese loans for energy sources amount to $1.7 billion, and a series of Japanese commodity credits amount to $800 million. The balance is made up of loans or credits from Denmark, Kuwait, Belgium, Italy, Switzerland, Sweden, Norway, Great Britain, France, Austria, Canada, Spain, and Australia.

Government loans are at favorable conditions and for long terms; some stipulate extended periods and low interest rates, some prescribe the scope within which the loans are to be used, some are linked with specific projects, some are to be used as the project progresses item by item. Government credits are granted to promote economic, trade and general friendly relations between the two governments and have a certain assistance nature.

To further promote the development of international trade, foreign loans are used for certain long-term imports for key construction projects. Certain governments use a mixture of government credits, buyer's credits, and loans by banking consortia. This may reduce the overall level of the loan interest rates. Some loans are linked with import projects, and are to be actually used as and when items are imported. Some loans can be freely used. Some of such countries are Japan, Austria, Sweden, Italy, Switzerland, France and Australia.

3. Buyer's Credits

Since 1980, the Bank of China has at different times concluded overall agreements for purchase credits with 10 British banks, 19 French banks, 6 Italian banks and 13 Swedish banks, and also concluded agreements for purchase credits with specific banks in Canada, Australia, Belgium, Norway, Argentina, Denmark, the United States, with the West German Reconstruction Bank and the Export-Import Bank of Japan. For extended loans, the terms were from 5 to 10 years, and interest rates were fixed according to the standards of the OECD organization. Up to now, more than $1.7 billion have actually been used.

4. Loans from Nongovernment Financial Organizations

The Bank of China, the International Trust and Investment Corporation and other financial institutions have concluded short- and medium-term bilateral loan agreements with certain Western commercial banks to raise funds funds and as a source of funds for domestic or foreign exchange loans.

5. Inward Transfer of Deposits from Abroad

The head office of the Bank of China is also bringing in available funds from its overseas branches by attracting deposits from residents in the areas in question and through other means.

6. Raising Funds Through Bonds

From 1982 to February, 1986, China has made 15 bond issues of different nature in Japan and Western Europe to the amount of $1.260 billion. Refer to the following table for details:

DATE	ISSUED BY	AMOUNT (bn)	TERM (yrs)	FACE INT.RATE(%)	ISSUE PRICE	ACTUAL YIELD(%)
Jan 82	CITIC	Y10(p)	12	8.7	100	8.7
Aug 83	FIEC	Y 5(p)	10	8.5	100	8.5
Nov 84	BoC	Y20	10	7	99.65	7.059
Jan 85	CITIC	Y30	10	6.6	99.65	6.675
Apr 85	BoC	Y20	10	7.1	100	7.1
May 85	BoC	DM0.15	7	7	100	7
Jul 85	CITIC	HK$0.3	5	9.375	99.90	9.4013
Sep 85	BoC	Y30	10	6.1	99.85	6.124
Sep 85	CITIC	DM0.15	6	6.625	99.75	6.6774
Sep 85	BoC	$0.15	10	10	100	10
Sep 85	BoC	$0.2*	5	LIBOR**	100	LIBOR
Dec 85	FIEC	Y10	10	7.1	100	7.1
Dec 85	CITIC	$0.1	10	9.625	100.75	9.5053
Jan 86	SITIC	Y20	10	6.7	100	6.7
Feb 86	CITIC	Y40	10	6.3	99.70	6.349

[NOTE: Issuers are China International Trust and Investment Corp;Fujian Investment Enterprise Co;Bank of China;Shanghai International Trust and Investment Corp. *Deposit certificates with floating interest rates. **Floating interest rate]

It is obvious from the above that the Bank of China, in its capacity of special state bank for foreign exchange transactions, is the main channel for China's foreign loans. In the course of its own business activities, the Bank of China is raising foreign exchange funds at the most favorable conditions possible. The objective of the Bank of China in raising funds is, first, to support the nation's four modernizations, with the main emphasis on the support of projects concerned with the development of energy sources, of the means of communication and in connection with projects for the technological transformation of medium and small scale enterprises, i.e., cases with short turnover of funds and production of export goods which create foreign exchange revenue. A second objective is to supplement the foreign exchange reserve of the state, improve China's ability to make foreign currency payments and to improve its turnover rate.

After several years of practice, we now realize that there are certain favorable conditions for raising loans in the international financial market in the name of the Bank of China. This is so because the Bank of China has developed from its past activities of mainly handling international settlements to a bank of international commerce, a foreign trade bank, investment bank, export credit bank and a foreign exchange bank with a great variety of business functions, mainly raising funds and providing short-term loans and credits, but also engaged in leasing, entrustments, consulting services and investments. The bank has a long history and enjoys a very high international reputation. It has a complement of specialized and well qualified staff and has had many years of experience in raising funds. It has, furthermore, basically established a worldwide organization and agency network, capable of promoting domestic and foreign business activities, and has an excellent understanding of the movements and information in the international financial market, which it utilizes highly effectively.The bank is therefore in a position to raise foreign funds in a planned way at the opportune time, in a variety of forms and through a variety of channels.

As to requirements for short-term loans, the Bank of China, with its modern equipment, maintains close daily contacts with the financial markets of all countries and engages in direct short-term loan transactions with foreign banks.

When raising funds, we combine long-, medium- and short-term funds and, as to interest rates, establish an appropriate proportion of capital at fixed and at floating interest rates. As to the currency of the loans, we consider both the problem of demand for the desired currency and the problem of the risk of its exchange rate.

Utilization of foreign commercial loans is work of a strong political and technical nature; it requires an investigation of the project for which the loan is intended, and requires strict management and supervision, to ensure that the project conforms to the demands of the development of the national economy and can produce comparatively favorable economic results.

Of course, there are borrowers and lenders involved in international loans. At the same time as the Chinese government is utilizing foreign capital, it is also continuing to grant to friendly developing nations a certain amount of economic assistance and loans at favorable conditions. The key policy of the Bank of China in granting loans abroad is that, to the extent that such capital can be absorbed, the loans will actively support China's increased contracting for engineering work abroad, support tourism and also the "three-capital" enterprises (Chinese-foreign joint ventures, cooperative management enterprises and foreign- finance enterprises). But, we demand that China's contracts for engineering projects abroad must as far as possible be projects paid for in cash, and as few as possible, or no projects at all, with extended payment terms. Guarantees provided by the Bank of China must also in future be appropriately controlled, and loans to "three- capital" enterprises must in future primarily support projects which can balance their foreign exchange, which are technology-intensive, which are productive and capable of creating foreign exchange revenue.

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FINANCE AND BANKING

HIGHLIGHTS OF 1986 STATE TREASURY BONDS

Beijing CAIZHENG [FINANCE] in Chinese No 3, 8 Mar 86 pp 13-14

[Text] In the interest of a successful issue of the 1986 treasury bonds, the office of the Central Commission for the Issue of State Treasury Bonds compiled an "Outline of Propaganda on Behalf of the Issue of the 1986 State Treasury Bonds," of which the following is a summary:

1. Issue of Treasury Bonds as an Important Measure To Raise Construction Funds

China began at the start of the 1980's to issue treasury bonds, which during these 5 years amount to 23.7 billion yuan and have played a major role in enhancing our key construction and in promoting the development of our national economy.

Today, as the construction of China's socialist modernization enters the period of the Seventh 5-Year Plan for national economic and social development, our situation is in all aspects very good. Industrial and agricultural production is continuously increasing in a steady and proportionate manner, new developments take place in all constructive undertakings, the country's finances are well balanced, and there is a marked improvement in the urban and rural standard of living. Why should we under favorable conditions like these still continue to issue treasury bonds? For the reason that China is still a developing country with a comparatively backward economy. Insufficiency of capital for key constructions will for some time to come still be an acute problem, restricting the development of our national economy. The solution of the problem of insufficient capital for our socialist construction must first of all rely on the various taxes paid by enterprises and by the people to the state treasury; this is the principal measure. Second, we must also issue treasury bonds and utilize foreign capital. Thus, the issue of treasury bonds is one of the major means of the state to raise capital for the accomplishment of the four modernizations. It is for this reason that the State Council, after a full analysis of China's economic condition and developmental trend during the Seventh 5-Year Plan period, decided to continue issuing treasury bonds during the Seventh 5-Year Plan period, to gather in a portion of the social capital and to strengthen key construction that will ensure accomplishment of the strategic tasks outlined for the Seventh 5-Year Plan period.

2. Issue of Treasury Bonds as an Important Means of the State To Effect Macroeconomic Adjustments

The issue of treasury bonds diverts to the state the extrabudgetary funds of the enterprises and a part of the purchasing power in the hands of the people, which means that it will increase investments in the nation's key constructions without increasing the currency supply or the total purchasing power of the society as a whole. It promotes economic development without reducing the wealth of units or of the masses. The issue of treasury bonds is, furthermore, an important means of the state to effect macroeconomic control and to regulate the scope, structure and direction of investments during the ongoing economic construction, to regulate the proportionate relation between accumulation and consumption in the national economy and to regulate the issue and circulation of currency.

3. The Issue of Treasury Bonds Over Long Periods of Time Will Not Increase the Financial Burdens of Units or of the Masses

Some comrades have voiced concern whether the continuous issue of treasury bonds by the state and raising funds from among society at large will adversely affect the technological transformation of the enterprises and the improvement of the living standard of the people. We say that it will not, because China's economy has progressed very fast in recent years, and free capital held by the enterprises and income of the masses has increased very much. Since 1981, extrabudgetary funds throughout the country increased at the rate of over 20 percent per year. It is estimated to have reached an amount of over 140 billion yuan by 1985, increases that exceeded the increases of the state's budgetary revenue. At the same time, there was a steep rise in the country's consumption capital. In 1984 all salaries and wages throughout the country amounted to over 113 billion yuan, an increase of over 19 billion yuan over the preceding year, and an increase at the rate of 20.1 percent, far in excess of the 7.8 percent increase in productivity in industrial enterprises during the same period. Savings deposits of the urban and rural population continuously increased over the last few years. In 1984 alone deposits increased by over 32 billion yuan, and for 1985 it is estimated that the increase will be around 30 percent over that of the preceding year. On the other hand, the treasury bonds issued in 1986 will amount to 6 billion yuan, 2 billion yuan to be taken up by units and 4 billion by individuals. These bonds account for only a very small portion of the state's budgetary revenue, and of the income and saving deposits of the urban and rural population. They will have no adverse effects on the technological transformation of enterprises and on the living standard of the people. Furthermore, from 1986 on, the state will begin to repay the principal and interests of treasury bonds issued in previous years. As the free capital of units and the income of the urban and rural population continuously increase in the wake of the development of production, there is a continuous increase in the capacity of the units and the masses to shoulder financial burdens.

4. Every Unit and Every Citizen Is Duty Bound To Subscribe Enthusiastically to Treasury Bonds in Support of the Four Modernizations

The goal of China's socialist modernization is the continued improvement of the material and spiritual living standards of the people by the further development of production and by raising productivity. Although the excessive scale of extrabudgetary investments in fixed assets and the steep rise in consumption capital have been currently somewhat rectified, no radical change for the better has so far been achieved. No radical solution can possibly be found within a short period of time for the shortcomings in our energy sources, and in the traffic, communications, raw and semifinished materials situation or for the shortages of capital for key constructions. This situation not only hampers economic development and obstructs progress in our reforms, but also has an extremely detrimental effect on the development of enterprises and the further improvements in the living standard of the people. The issue of treasury bonds temporarily borrows a portion of funds now held by units and by the masses to be used to strengthen investments in the key constructions and in the infrastructure of the state, which will lay a solid foundation for the future development of the economy. This is not only an interest of the state, but also a vital long-range interest of every unit and of the whole people. Every unit and every citizen in China is duty bound to subscribe enthusiastically to treasury bonds in support the four modernizations, which would also be the concrete expression of a patriotic spirit.

5. Interest Rates for Treasury Bonds Have Again Been Raised Out of Due Consideration for the Economic Benefits of the Buyers

The purpose of the masses in buying treasury bonds is to support national construction, but the state, on the other nand, also gives due consideration to the economic interests of the buyers. The annual interest rate for treasury bonds bought by units, which last year was 5 percent, has this year been raised to 6 percent. This is higher than the interest rate for fixed deposits for a 3- or more-year period. The annual interest rate for bonds bought by individuals was raised from last year's 9 percent to this year's 10 percent, which is also higher than the bank interest rate for deposits of the same duration. Persons buying 1,000 yuan of treasury bonds will be paid back in one amount after 5 years, and their principal and interests will then amount to 1,500 yuan. Purchases of treasury bonds by units and by the urban and rural masses are on the one hand supporting the four modernizations by practical action, and are also on the other hand providing certain economic benefits. Their purchase is an action that is in the interest of the state and in one's own interest, a good action in that it benefits the state as well as the people.

6. Key to the Successful Accomplishment of the Task of Issuing the Treasury Bonds Is Thoroughgoing and Painstaking Work

Key to the successful accomplishment of the task of issuing the 1986 treasury bonds is the need for governments at all levels to strengthen their guidance of the work of selling the bonds, to have them perform this work in a thoroughgoing and painstaking way and to have them ensure that the task of selling the bonds will be accomplished. For a successful conclusion of the work of selling the 1986 treasury bonds, we shall have to pay attention to the following few questions:

(1) We must conscientiously perform, and perform well, the work of propagandizing and of mobilizing the people. In the last few years, the work of propagandizing and mobilizing the masses has achieved certain successes and has been very effective in ensuring overfulfillment of our tasks, but at some places propaganda is being conducted neither in depth nor painstakingly, but in a dull manner. Some units go in for it in a casual way, giving attention merely to getting over with the task, without any propaganda, so that some people are left befuddled about the significance of the issue of treasury bonds. Leading comrades of the central authorities have repeatedly pointed out that the raising of funds by treasury bonds is an important measure to speed up the four modernizations, and that buying treasury bonds in support of the four modernizations is the duty of every single unit and citizen. These points were again emphasized in the "Regulations Governing the Issue of the 1986 Treasury Bonds of the PRC," issued and circulated this year by the State Council. It is imperative that leading comrades at all levels and all comrades engaged in the sale of treasury bonds transmit this spirit, through whatever channels there are, to the thousands upon thousands of households throughout the country. Wherever there are problems in the understanding of the issue among the masses, it is hoped that the comrades in charge of selling the treasury bonds will provide explanations and clarifications that integrate the particular conditions of the local situation and aim precisely at the problems involved. Currently, all places are conducting education on the present situation. We should combine the work of propagandizing the treasury bonds and mobilizing the masses for their purchase with the education currently being given on the present situation, making propaganda for the issue of the treasury bonds a part of the ongoing education on the present situation. At the same time all places could also make the active subscription to treasury bonds in support of the four modernizations a part of the work of those units that are engaged in building up our spiritual civilization and in education in our ideals, so as to foster among the masses a glorious sense of honor in the enthusiastic subscription to the treasury bonds in support of the four modernizations, and also to arouse the patriotic fervor among the broad masses of the people and thus ensure the accomplishment of the task of selling the treasury bonds.

(2) To accomplish the task of selling this year's treasury bonds, a distributive issue system was employed. The units were allotted their task according to a certain proportion of their extrabudgetary funds or according to the amount of profits after taxes retained by collective enterprises. The urban and rural citizens were allotted their tasks generally according to a certain proportion of their incomes. Every effort should be made to allot tasks everywhere in a rational way. In the case of units, the rational allotment should be based on an investigation of their financial strength. The allotment of tasks to units is of the character of an assigned procurement; it is imperative that each unit attach importance to the overall situation, make advance arrangement for the necessary funds to purchase its treasury bonds and punctually, as required by regulations, pay the required amount to the treasury; there must be no delay. The task of selling the bonds to staff and workers must be based on effective political ideological work. This task shall be allotted to the units in question in accordance with the total amount of salaries and wages of their staff and workers, or in

consideration of the different levels of salaries and wages. The units may fix the allotments for their various teams and groups or for individual employees and workers, using the method of either having their staff and workers voluntarily subscribe or of proceeding on the principle of having each person buy bonds according to his particular larger or smaller capability. No allotment of a purchasing task should be made in the case of the small number of comrades who have genuine difficulties in their livelihood or who have no purchasing power. Every unit or individual must punctually fulfill the purchasing task allotted by the state.

Sales of treasury bonds in the rural areas in the last few years had achieved very good results by a method that combined universal mobilization with sales in key areas. We should continue this sales method in future. In particular, further raising the interest rates for this year's bonds above the bank rates for deposits for the same period of time should make it all the more possible to arouse the purchasing enthusiasm of the many well-to-do peasants and provide favorable conditions for their mobilization to buy more treasury bonds. In case of the general type of places and peasants, each locality may appropriately allot certain treasury bond tasks according to its specific conditions. No treasury bond allotments should again be imposed on poor districts and poor peasants.

The smallest denomination of this year's treasury bonds is again 5 yuan; no purchase balance of any staff, worker or peasant household should be for a smaller amount than 5 yuan. Those unable to make a purchase of 5 yuan may be exempted from purchasing treasury bonds.

3. The work of issuing treasury bonds is a long-term task of the future. Everywhere committees for the sale of treasury bonds and their working organizations should be appointed on a regular basis. Their complement of staff should be relatively stable and where staff is inadequate, it should be appropriately replenished. The financial departments at all levels should act in the spirit of the State Council circular and set up permanent work organizations, staffed with the necessary number of special employees.

4. The work of issuing treasury bonds involves a wide field and requires close coordination between all departments concerned. Especially in the matters of issuing the bonds and of repaying principal and interests, the regulations governing the treasury bonds already stipulate clearly that these matters shall be handled by the People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Bank of China and their subordinated organizations. In its circular regarding the regulations governing the 1986 treasury bonds, the State Council had clearly pointed out: "Banks at all levels shall incorporate the work of issuing treasury bonds into their regular business operations, and perform this work conscientiously and efficiently. The propaganda departments at all levels shall work in close coordination and strengthen their propaganda and guidance work." It is therefore hoped that the comrades in the departments concerned will conscientiously implement the spirit of the State Council circular, further strengthen cooperation and jointly do a good job of issuing the treasury bonds.

5. If some people do not want to buy treasury bonds at their units, but rather buy them directly at banks, this is permissible. All banks shall render facilities and maintain secrecy for direct buyers in the same manner as in the case of saving deposits.

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SHANGHAI EXPANDS SHIPBUILDING, SHIPS EXPORT

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[Report: "Shanghai Has Become China's Most Powerful Shipbuilding and Ships Export Base"]

[Text] Shanghai, 23 May (Zhongguo Xinwen She)--Some 20 shipyards along Huangpu Jiang in Shanghai constitute China's most powerful shipbuilding and ships export base.

This huge shipbuilding base is turning out a large number of missile escort vessels, antisubmarine excort vessels, and other new-type naval vessels.

During the Sixth 5-Year Plan period, Shanghai built 442 vessels for domestic use and foreign ship merchants, accounting for about half of the total tonnage of the China shipbuilding Industrial Corporation.

In the coming 5 years, China will build six bases for exporting ships, the four major ones of which are the Jiangnan, Zhonghua, Shanghai, and Hudong shipyards. The State Council has approved the expansion of foreign trade authonomy of shipbuilding enterprises in Shanghai.

In recent years, Shanghai has introduced from many countries shipbuilding technology and production managerial methods of advanced international standard. It has bought the patents for the world's most advanced ship diesel engine technology from Switzerland, Denmark, and the FRG as well as the patents for ship generating units and deck machinery from Britain, France, and Japan. Shanghai can now manufcture ships according to the requirements of the main ship classification societies in the world.

Shanghai is now building two ships each with a tonnage of 60,000 and will complete the building of seven ships each with a tonnage of 10,000 this year, the total tonnage being 264,000. Meanwhile, it is starting to build 11 other ships each with a tonnage of 10,000. The variety of ships is undergoing a change from bulk cargo ships to container ships, unmanned cabin bulk cargo ships, multipurpose ships, and tri-puropse working ships.

The "Yuanwang" and "Xiangyanghong No 10" survey ships, both designed and built by the Shanghai Jiangnan shipyard and the China Ships and Uu Engineering and Design Research Institute, have taken part in transporting rockets. In the investigation concerning the launching of synchronous telecommunications satellites, and in surveying the South Pole. In particular, the building of the "Yuanwang" survey ship and its success in fulfilling its tasks have been acclaimed by astronavigation circles in the country and abroad as a milestone in China's astronavigation history. Shanghai is now building for the FRG two new-type ships for transporting cars each with a tonnage of 24,000 and the new-type 64,000-ton bulk cargo ships being built for a Hong Kong compnay has the largest tonnage of any ship ever built by Shanghai.

Lu Shansen, manager of the Shanghi shipbuilding industrial company, said: The international ship market will not remain depressed forever, and Shanghai will make good preparations in various aspects of its shipbuilding industry for the arrival of the emerging period of navigation.

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CONSTRUCTION

PRC PORT CONSTRUCTION REVIEWED

HK220939 Hong Kong LIAOWANG (Overseas Edition) in Chinese No 19, 12 May 86 p 21

[Article by Yi Fei [0001 7378]: "China's Port Construction -- Review and Prospects"]

[Text] In recent years, China's ports are often jammed with vessels and shipments delayed. This shows that, on the one hand, China's contacts with other countries are expanding swiftly and, on the other hand, its basic port facilities still far from suit the needs of opening up to the outside world and invigorating the domestic economy. During the fourth session of the sixth NPC conference held recently, Premier Zhao Ziyang reempahsized the importance of communications and transportation, stressing that communications and transportation will still be the focal points of economic development in the "Seventh 5-Year Plan." It is expected that during the "Seventh 5-Year Plan" period, China's port construction will advance by leaps and bounds and the strain on ports will be greatly relieved within 5 years.

According to an analysis made by people of the departments concerned, the changes which have taken place in China's ports over the last 5 years are mainly characterized by the following three aspects:

First, unprecendented growth developed in port construction and production. During the "Sixth 5-Year Plan" period, China built a total of 54 10,000-ton deep-water berths and 25 5,000-ton middle-class berths, adding a loading and unloading capacity of over 100 million tons. On average, 11 deep-water berths were built per year, adding a loading and unloading capacity of 20 million tons. As a result, the total number of deep-water berths in the main coastal ports amounts to 199 and the total number of middle-class berths has reached 156, with the total loading and unloading capacity coming to over 317 million tons. The construction achievements made in these 5 years are nearly as much as the total achievements made in the 10 years from 1970 to 1979. The freight loading and unloading capacity in the main coastal ports overfulfilled the target stipulated in the "Sixth 5-Year Plan" 1 year ahead of time. Freight handled in 1985 amounted to over

350 million tons, an increase of 62 percent over 1980 and showed an annual average growth rate of 10.1 percent. In 1984 and 1985, the transaction capacity of Shanghai port, the largest commercial port in China, topped 100 million tons for the 2n year in succession, thus leaping into the ranks of the world's 100-million-ton ports.

Second, a number of policies and measures were worked out to expedite the development of ports. The principle that both the central and local authorities should promote port construction and that equal importance should be equally attached to large, medium and small ports and the building of new ports and the transforming of old ports was proposed. To expand the source of funds for port construction, the "interim provisions for according preferential treatment to Chinese-foreign joint ventures engaging in port and wharf construction," charging additional port dues to freight in the main coastal ports, and other methods were publicized.

Third, a new tendency by inland provinces and regions to pool funds to build ports has arisen. Over the last 5 years, three wharves have been built by freight owners, jointly built by localities or by foreign capital. In 1985 alone, as many as 32 wharves and berths were built by the material departments of Hubei Province, totaling a loading and unloading capacity of over 2 million tons. In order to jointly exploit and use Lianyun Port, the seven provinces and cities along the Long-Hai railroad set up a special coordination group and signed an agreement to build seven 10,000-ton deep-water berths through consultation, in an effort to open up seaways for these inland provinces and cities.

Prospects for the Coming 5 Years

According to plans by the communications and transportation departments, during the "Seventh 5-Year Plan" period beginning from this year, the coastal ports should complete and commission 100 to 120 deepwater berths and build 80 medium and small berths. The number of deepwater berths will more than double the berths completed and commissioned over the last 5 years. By 1990, the total transaction capacity in coastal ports will amount to 550 million tons, an increase of 67 percent over 1985. In the specific plans for the shipment of bulk cargoes, the following aspects have been listed as focal points:

-- Transportation of energy resources. To coordinate with the efforts to ship the Shansi Province's coal eastwards, four coaling ports linking up with the northern, central and southern railroads will be built in the coastal areas. Besides, 13 coaling ports will be built in each relavent coastal coal-receiving province or region. By 1990, the coastal ports' coal-loading capacity should reach over 100 million tons; their coal-unloading capacity should reach over 80 million tons; and the coal-exporting capacity should reach 20 million tons. Therefore, in addition to the coastal transportation fleets, a complete marine coal transportation system can be formed. As for transportation of crude oil, two new 200,000-ton crude oil berths will be built in Dalian and Qingdao, adding a loading capacity of 29 million tons. By 1990, China will have 11 crude oil loading berths with an annual loading capacity of 90 million tons, which can basically meet the crude oil shipping needs of all major oil fields in China.

-- Containerized transportation. By the end of 1990, the total transaction capacity of China's container berths will reach 1.4 million containers, or 10 million tons. Special berths for shipping timber will amount to 23, with a loading and unloading capacity of over 10 million tons.

-- Grain transportation. Construction of berths for shipping grain in ports like Qinhuangdao, Lianyun Port, Yinkou, Dandong, and so on, will be started or accelerated. Furthermore, priority will be given to the transformation of the Ganjingzi container wharf in Dalian, in an effort to meet the needs of importing and exporting grain.

-- Transhipment. In the coming 5 years, two stages to increase the number of anchorage, pontoon, marine transfer platform, barge, tug, and other facilities will be increased in two stages. This will raise the loading and unloading capacity by 38 million tons. In order to divert freight volume of major ports and promote economic development in coastal areas and transportation between the mainland and islands, about 80 medium and small berths, which can be used in both passenger and freight transportation, will be built in over 20 coastal ports, adding a transaction capacity of about 30 million tons.

If the abovementioned plans can be completed as scheduled, three fundamental changes will take place in China's coastal ports: First, the phenomenon of congestion will be greatly relieved; and by 1990, the number of China's coastal berths will reach about 1,200. Of these, 300 to 320 will be deep-water berths, thus attaining a normal ratio of 1:2 between the number of beths and the number of vessels in port. Second, the water transportation of key materials can be basically handled in ports. For example, the water transportation of bulk materials like coal, crude oil, ores, grain, timbers, and so on, can be generally linked up with the transportation capability of railroads and pipes, thus coordinating the loading and unloading capabilities of both the marine coal and crude oil transportation systems. Third, the degree of modernization in ports will be improved, the structure and layout of ports and the conditions of highway transportation will be greatly improved.

The Primary Works for This Year

Departments responsible for the work in China have required the coastal ports to raise this year's total transaction capacity to more than 340 million tons and make a success of those port construction items which have already been included in state plans. Beginning this year, the investment in underwater projects at ports and berths which have already been incorporated in state plans will be gradually undertaken by the state, while the construction of shore facilities will be completed by every port office and operational unit by soliciting loans or raising funds themselves. This year, the transhipment business will also be expedited. Meanwhile, efforts should be made to firmly grasp the technical transformation in ports. The stress of the technical transformation should be put on energy resources, foreign trade and passenger transportation stations and places, as well as on reconstructing the coastal wharves and berths with backward technology and equipment, expanding stockyards and storehouses, and improving the transportation conditions.

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FOREIGN ECONOMIC LEGISLATION REVIEWED

Beijing ZHONGGUO SHEHUI KEXUE (SOCIAL SCIENCES IN CHINA) in Chinese No 5, 10 Sep 85 pp 185-194

[Article by Zhang Xiangyu [1728 5046 1342], responsible editor Lan Yongwei [5663 3057 5588]: "A Preliminary Study of China's Framework of Foreign Investment Laws"]

[Text] The present article affirms the fact that China has built up a framework of foreign investment laws. The article believes them to be composed of two parts: domestic laws and treaty law, both types being under the supreme direction of the constitution. The present article discusses the legislative motives and aims of China's framework of foreign investment laws, analyzes the policy expressed in the framework and presents its own ideas on the administrative levels of China's framework of foreign investment laws.

The author, Zhang Xiangyu, was born in 1957, taught law at Wuhan University's law faculty and obtained a master's degree in law at the Wuhan University. In 1984 he obtained a master's degree from the college of law of the University of Michigan in the United States and is now working toward his doctor's degree at the College of Law of the University of Michigan.

The degree to which a country has perfected its legal system is one of the important indices to measure the quality of its investment environment. Following the 3d Plenum of the CPC Central Committee, the NPC launched systematic legislation of foreign investment laws. The various departments of the central government and of local governments too drew up many laws and regulations relative to foreign investments. In the 5 years from 1979 to 1984, China enacted almost 60 laws and regulations concerning foreign economic relations and foreign investments. (Footnote 1) At the same time, China signed several agreements for the protection of investments and other bilateral agreement related to investments with the numerous countries that were the main investors in China. A fairly complete Chinese system of foreign investment laws has thus been shaped. This system is composed of two parts, the domestic laws and the legal provisions of the treaties, and both components are topped by the principles anchored in China's Constitution. This situation has made it an important task for scholars of jurisprudence to probe into the content, structure and characteristics of this system.

I. Principles of the Constitution

Many Westerners who study the Chinese foreign investment laws seem to believe that there is a conflict between the Chinese investment legislation and the Chinese Constitution. (2) As they see it, there is a deep contradiction between the principle of China's foreign investment laws in acknowledging and protecting foreign investments and the principles of public ownership and planned economy set forth in the constitution. However, these persons have no true understanding of the Chinese Constitution.

The public ownership system of socialism is China's fundamental economic system as set forth in the Chinese Constitution, but it is not the only form of an ownership system in China. In view of the comparative backwardness of China's economy and its desire to quickly bring about a change in this situation and transform China into a modern socialist state, the Chinese Constitution has adopted the following principle in its socioeconomic system: Given the premise of upholding the leading position of the state economy, China must develop diverse economic forms, so as to promote the prosperity of the entire national economy.

Planned economy is the fundamental characteristic of the socialist public ownership economy, as it is also one of the fundamental principles fixed in the Chinese Constitution. However, at the same time as China's Constitution affirms that "the state will implement planned economy on the foundation of the socialist system of public ownership," it also affirms the role of market regulation. (Article 15) There is absolutely no contradiction between the implementation of planned economy and the use of the law of value and the development of a commodity economy. In summary one may say that China practices a planned commodity economy. China's Constitution also prescribes: "State enterprises shall have decision-making power in operation and management within the limits prescribed by law, on the condition that they submit to the unified leadership of the state and fulfill all their obligations under the state plan," (Article 16) and that "collective economic organizations shall have decision-making power in conducting independent economic activities, on condition that they accept the guidance of the state plan and abide by the relevant laws." (Article 17) The economic principles of China's Constitution are not at all mechanical and rigid, but have a large measure of elasticity and diversity. (4)

The sense of principle and the flexibility of the Chinese Constitution provide strong legal support for wide-ranging attraction of foreign capital and for the establishment of new economic forms, such as the joint venture enterprises. There are, furthermore, specific articles in China's Constitution that express the principle of attracting foreign capital and protecting foreign investments. Article 18 of the Chinese Constitution prescribes: The PRC allows foreign enterprises, other economic organization and individuals to invest in China and to engage in economic cooperation of various forms with Chinese enterprises or other economic organizations in accordance with the provisions of Chinese law. On Chinese territory, foreign enterprises and other economic organizations as well as Chinese-foreign joint venture enterprises must abide by the laws of the PRC. Their lawful rights and interests receive the protection of the laws of the PRC.

The Chinese Constitution is the legal basis for all of the country's territorial laws and various individual laws and regulations. The constitutional principle of affirming and protecting foreign investments provides a feasible legal foundation for the establishment of China's entire system of foreign investment laws. During the entire process of China's foreign investment legislation, whether in the formulation of individual domestic laws or the signing of bilateral international treaties on investments, the principles of the constitution regarding adherence to the socialist economic system and the treatment of foreign investments have all along been the directives of highest authority.

II. Principles, Policies and Objectives of China's Foreign Investment Legislation

The principles set forth in the constitution are highest authority for China's foreign investment legislation, but any individual independent legal system will also want to give expression to its own principles, policies and objectives. The primary principle of China's foreign investment legislation is the principle of sovereignty.

Sovereignty is the key factor that allows us to measure the success or failure of a country's foreign investment legislation. In old China, the policy of the reactionary governments was one of selling out the country's sovereign rights. As a consequence, foreign capital monopolized China's national economy, subdued its national industry and commerce, impeded their development, and had China, finally, decline into the state of a semifeudal, semicolonial country. In their states of economic backwardness, certain Third World countries have had the same experience of merely seeking eagerly to import foreign capital while disregarding the need to emphasize the principle of sovereignty in their relevant legislation, with the result that foreign capital monopolized the lifelines of the national economy and even threatened the political independence of the countries in question. China is an independent socialist country. While China intends to import foreign capital and advanced technologies on a broad scale, it must at the same time draw lessons from Chinese and foreign historical experiences and firmly uphold the principle of sovereignty.

The principle of sovereignty is nothing abstract, but is a legislative principle with abundant meaning. Its basic demand is that no foreign investment must harm the totality of our country's sovereignty. (5) By implementing the principle of sovereignty in our foreign investment legislation, we can ensure the state's control, supervision and proper management of foreign capital. For instance, by its legislation, the state can restrict foreign capital from infiltrating vital sectors of the country's economy, such as the war industry. Through the establishment of a legal procedure of examination and approval of foreign investments, the state can maintain effective controlling powers over foreign capital. The principle of sovereignty in foreign investment legislation is also evident in the legal demand that foreign investments must not destroy China's ecological equilibrium or pollute the environment, and also not violate China's socialist ethics. (6)

Another important principle incorporated in China's investment legislation is the principle of equality and mutual benefit. The principle of equality and mutual benefit is an important principle that China has consistently advocated and faithfully pursued in its foreign economic relations. This principle is also recognized by most countries and in certain important documents of international law. (7) It is one of the major principles that guide modern international economic intercourse. In past international economic relations, the capital-exporting countries hoped to be able to use their capital exports to exploit and plunder the capital-importing countries. Frequently, such capital-exports resulted in the capital-exporting countries getting richer and richer and the capital-importing countries getting poorer and poorer. During the period from the 1960s to the early 1970s, many Third World countries launched movements for the establishment of a new international economic order, with the aim of changing the economic imbalance in the world brought about by the exports of capital, and to establish the principle of equality and mutual benefit as the major legal basis for the world's new economic order.

The core of the principle of equality and mutual benefit is its "mutuality." In their economic-legal meaning, equality and mutual benefits are two inseparably linked concepts. In the course of international economic activities, there can be true equality only if there is also mutual benefit, and there can be real mutual benefit only if there is true equality. China is a big country abounding in natural wealth, it has abundant natural resources, a huge market potential and relatively cheap manpower, but China's economy is comparatively backward and in need of large imports of foreign capital and advanced technologies. This is the actual foundation on which China practices the principle of mutual benefit in its investment policy. China's foreign investment laws, therefore, persistently emphasize not only in China's treaty law sector, but also in the sector of its domestic laws, the importance of conducting investment activities on the basis of equality. For the most favorable implementation of the principle of equality and mutual benefit, China's foreign investment laws obviously tend to favor the forms of joint ventures for the importation of capital, since by using this form, it is possible to achieve a closer integration of the interests of the two parties, the Chinese and the foreign investors, on the basis of equality.

Law is the manifestation of policy. China's current foreign investment legislation abundantly manifests an important policy; this is the policy of the state of currently encouraging foreign investments. Because China had in the past overemphasized the principle of reconstruction through its own strength, no experiences were gathered in the field of importing capital, and many foreign investors, for this reason, maintained scepticism as to investments in China. On the other hand, China's four modernizations urgently need foreign capital and advanced technologies. This fact determined for China that it is necessary at the present stage to adopt a policy of encouraging foreign investments. China's foreign investment laws have played an important role in this respect. The policy of encouraging foreign investments in China's foreign investment laws is not limited to one or two slogans, but is incorporated in a large number of substantive legal provisions. First, the treaties concluded by China with various countries regarding investments generally include such favorable clauses as the most-favored-nation clause, clauses against uncompensated expropriations or nationalization and clauses for the transfer of profits . (8) Second, in domestic legislation, China has instituted the system of special economic zones [SEZs]. A variety of favorable investment conditions apply to these SEZs, creating a unique investment environment for foreign investors. Third, China's foreign investment laws, furthermore, encourage foreign investments by policies of low taxation and of exemptions from income tax for the initial periods of investments. For a more effective attraction of advanced technology imports from abroad and to encourage foreign investments in China's remote border regions or in China's relatively weak economic sectors, China's foreign investment laws provide a great variety of favorable provisions at different localities.

The objective of China's foreign investment legislation is simply to provide protection by legal means for foreign investors, for foreign investments and for foreign investment profits, on the condition of upholding China's national sovereignty and national interests. The most basic objective of China's foreign investment legislation is to establish a perfect legal system to facilitate importation on a broad scale of foreign capital, foreign advanced technologies and advanced managerial experiences, and thereby promote China's economic development, raise the level of China's science, technology and business management and speed up realization of China's four modernizations. A complete system of foreign investment laws will also promote China's economic cooperation and technology exchanges with other countries, thereby giving added impetus to the economic, scientific and technological development throughout the entire world.

III. Domestic Legislation

(1) Development of Domestic Legislation

The Law of the PRC on Joint Ventures Using Chinese and Foreign Investment, adopted by the Second Session of the Fifth NPC on 1 July 1979 (hereafter called the "Chinese-Foreign Joint Venture Law"), signifies the beginning of China's foreign investment legislation. The promulgation of this law evoked strong responses in China as well as abroad. While praising China's foreign investment legislation, many foreign scholars at the same time expressed disappointment with the law itself. In their opinion, it was an imperfect and imprecise law. (9) However, these persons did not completely understand China's legislative intention and guiding ideology.

The Chinese-Foreign Joint Venture Law provided fundamental guiding principles for the establishment of China's system of foreign investment laws. Even though it consisted of only 15 simple articles, each article had important legal significance. Since the 3d Plenum of the 11th CPC Central Committee had decided on an open-door economic policy, and since China's four modernizations were in urgent need of large amounts of foreign capital and advanced technologies, and since, furthermore, foreign investment legislation was an as yet untried matter with very little experiences available at that time, these factors determined that our first foreign investment legislation could not go into detail, but could merely provide fundamental principles. Even though this law does not go into great detail, it is comprehensive. The said law contains provisions of a principle nature as to the principles and objectives of China's importation of foreign capital, the legal status, management and capital investment ratios of joint ventures, the scope of their operations, taxation, profits and foreign exchange as well as on the contracts themselves and the settlement of disputes. It is in this form that it became the basis for later Chinese foreign investment legislation. When it was enacted, the significance of the Chinese-Foreign Joint Venture Law far exceeded the mere articles of its text, since it indicated China's resolve to use the legal system in support of its importation of foreign capital and to protect foreign capital investments. It signified, therefore, that China will enact in future many more foreign investment laws and even build up a perfect system of foreign investment laws. (10)

One year later, in July 1980, based on the principles of the Chinese-Foreign Joint Venture Law and a year's experiences in the work of importing foreign capital, the State Council promulgated the PRC Regulations on the Registration of Chinese-Foreign Joint Ventures and the PRC Regulations on Labor Management in Chinese-Foreign Joint Ventures. The former is a detailed elaboration of Article 3 of the Chinese-Foreign Joint Venture Law and fixes in law the procedure for the registration of Chinese-foreign joint ventures. The latter regulation was drawn up based on the principles of Article 6, Paragraph 2 and Article 4 of the Chinese-Foreign Joint Venture Law and solves all legal questions in connection with labor contracts by the Chinese-foreign joint ventures. In September of the same year, the Third Session of the Fifth NPC promulgated two tax laws: The Income Tax Law of the PRC Concerning Chinese-Foreign Joint Ventures and the Individual Income Tax Law of the PRC. At its Fourth Session in December of 1981, the Fifth NPC adopted yet another important tax law concerning foreign capital: the Income Tax Law of the PRC Concerning Foreign Enterprises. These three income tax laws express the various policies adopted by China regarding taxation of foreign investments. Based on the principles of these three laws, the Chinese Ministry of Finance drew up as a further step three corresponding law enforcement regulations, which were approved and promulgated by the State Council. In this manner, China achieved a comparatively complete system of tax laws. Out of consideration for specific investment objectives, the State Council at the same time drew up the Regulations of the PRC on Cooperation With Foreign Parties in the Exploitation of Offshore Oil Resources, and out of consideration for peculiarities of the investment territory, the Standing Committee of the NPC approved the Regulations of the PRC on Special Economic Zones in Guangdong Province. China also issued regulations on the control of resident representatives of foreign enterprises and drew up legal provisions on the control of foreign exchange remittances by foreign organizations and individuals. Furthermore, following the increasing opening up of the country and importation of foreign capital, China in recent years actively improved its relevant maritime customs laws and other legal systems having a bearing on foreign investments.

On 20 September 1983, the State Council promulgated the Enforcement Regulations to the Law of the PRC on Joint Ventures Using Chinese and Foreign Capital (hereafter the "Chinese-Foreign Joint Venture Enforcement Regulations"). This signified the basic completion of China's framework of foreign investment laws. This law has 16 chapters and 118 articles, and as it is based on more than 4 years of experiences in the work of importing foreign capital, it greatly enriched and elaborated in detail the principles expressed in the Chinese-Foreign Joint Venture Law of 1979. China's foreign investment law is no longer a set of abstract legal principles, but a comprehensive system of specific legal norms of more than 1,000 articles.

(2) The Structure and Special Characteristics of Domestic Legislation

China has been comparatively late in starting to import foreign capital. When China began to legislate on foreign investments, many countries of the world had already established perfect legal systems on foreign investments. China's legislation on foreign investments not only widely referred to the achievements of other countries in this line of legislation, but also summed up the practical experiences gained in the concrete conditions of China. China's system of foreign investment laws, therefore, displays a unique national structure and distinctive national traits.

In its overall aspect, China's domestic legislation on foreign investments shows three structural levels. The three different levels are linked with one another, exercise an impact on one another and thus form a comprehensive domestic legal system. The three structural levels of domestic legislation on foreign investments are: 1. Local laws and regulations; 2. The legal norms and enforcement regulations drawn up by the departments of the central authority and by the State Council; 3. The various individual laws passed by the NPC. In the following we shall discuss the substance and relations of these three structural levels:

The local laws and regulations mentioned as the first administrative level refer to laws and regulations issued by China's local governments. Article 100 of the Chinese Constitution prescribes: "The people's assemblies of provinces and directly administered municipalities, as well as their standing committees, may enact laws and regulations of a local nature, provided they do not conflict with the constitution, laws and administrative regulations; such local enactments shall be reported to the Standing Committee of the NPC for the record." Since the initiation of the open-door policy, several local governments enacted certain laws and regulations of local nature or of special nature based on the actual conditions of the locality concerned, in order to further broaden the importation of foreign capital. The most conspicuous of these are the Regulations on Special Economic Zones in Guangdong Province, passed by the Guangdong Provincial People's Assembly and approved by the Standing Committee of the NPC on 26 August 1980. These regulations were drawn up in consideration of the coastal location of Guangdong Province and its special geographical environment, namely the proximity to Hong Kong and Macao. The law delineates a certain area as an SEZ and, furthermore, provides for this area more favorable treatment for investors than at other places, in order to attract larger amounts of foreign capital. After establishment of the SEZ, it became necessary to establish a series of laws and regulations pertaining to the said SEZ, such as the Provisional Regulations on Labor Management in the SEZ, provisional Regulations on Land Management in the SEZ, etc. The laws of this organizational level have the following obvious characteristics: one, they are of local nature, and two, they are of a particular nature. Laws of this type generally apply only within a certain territory and will provide improved protection and more favorable treatment for foreign investments. In May of 1984, the CPC Central Committee and the State Council decided to open up a further 14 coastal ports, based on the successful experiences of the operation of SEZs in China, in order to attract more foreign capital and import more advanced technologies. There will, therefore, in future be a gradual increase in foreign investment laws of this structural level.

On the second administrative level, there are the legal norms and enforcement regulations drawn up by departments of the central authority and the State Council. The number of these regulations is very large, and they are, furthermore, regulations with fairly specific formulations, and therefore, there are many opportunities to apply them. For instance, the Enforcement Regulations to the Chinese-Foreign Joint Enterprise Law promulgated by the State Council, the three enforcement regulations to the foreign investment income tax laws drawn up by the Ministry of Finance and approved by the State Council, the Provisional Regulations Governing State Control of Foreign Exchange passed by the State Council on December of 1980, as well as the corresponding two enforcement regulations promulgated by the State General Administration of Exchange Control, the Regulations of the PRC on Foreign Cooperation in the Exploitation of Offshore Oil Resources adopted by the State Council in January 1982, all these belong to this administrative level. The laws of this administrative level constitute the principal part of domestic legislation on foreign investments. The special characteristics of this legislation are that it touches on a large spectrum of questions regarding foreign investments and that it, furthermore, provides clear, specific and substantive legal provisions.

The third administrative level tops the second level and is constituted by various individual laws and regulations on foreign investment promulgated by the NPC, for instance, the three income tax laws regarding foreign capital and the Foreign Economic Contract Law, promulgated by the NPC, as well as the Foreign Enterprise Law, Company Law and Law on Cooperatively Managed Enterprises, on which drafting and deliberating is now being speeded up. The most significant law of this structural level is the Law on Chinese-Foreign Joint Ventures, promulgated in July of 1979. This law provided the important guiding principle for the legislative work on the other two structural levels. The laws of the third administrative level are characterized by the general scope of their application and by their guidance nature; they are the base for the legislation of the other two levels. The third level is, therefore, the foundation for the entire Chinese domestic legislation on foreign investments.

The three levels in China's domestic system of foreign investment laws can be differentiated according to the following three criteria: first, the difference of legislative organizations, differentiating here by local governments, central government and the NPC; second, differentiating according to the different scope of application of the laws, that is, whether the laws are of local nature or of nationwide nature; third, the difference in the significance of the laws, differentiating here those of specific applications and those of guidance character. The occurrence of the three levels is linked with China's political structure and the actual demands for the absorption of foreign capital. Each legal level plays its particular important role, but all together form a harmonious union and for this reason constitue a comparatively perfect system of Chinese domestic legislation on foreign investments.

IV. Treaty Law

We can roughly divide China's treaty law on foreign investments into three groups: one, China's agreements with foreign countries for mutual promotion and protection of investments; two, China's agreements with foreign countries regarding taxation; three, other agreements signed between China and other countries with some bearing on foreign investments. These three types of treaty law are also mutually linked; they constitute another important component of China's system of foreign investment law.

(1) Agreements Mutually Promoting and Protecting Investments

In international practice, the conclusion of treaties for the mutual promotion and protection of investments has had only a short history of more or less 25 years, but is now a general practice throughout the world. (11) Especially since 1967 when the UN Economic Cooperation and Development Organization drew up standard agreements for the mutual promotion and protection of investments, more countries were willing to provide investment protection through treaties. Since China instituted the open-door policy and speeded up legislation on foreign investments, China, too, actively negotiated and signed treaties with those countries which were the main investors for a series of investment protection treaties. Up to November 1984, China signed this type of agreement with Sweden, Romania, the FRG, Belgium, France, Canada, the Soviet Union, and Norway. (12)

Actually, China's first agreement involving protection of investments was signed with the government of the United States on 7 October 1980: the Agreement on Investment Insurance and Investment Gurantees as Encouragement to Investments, effective with the exchange of notes on 30 October. By this agreement, China undertakes to protect all American investments in China that have had the approval of the Chinese Government and, furthermore, regulates the remittance of profits from American investments, the settlement of disputes, and other such questions. However, this investment agreement has a special feature, not found in the general investment protection agreements, in that its main purpose is to allow the American Overseas Private Investment Corporation (OPIC) to provide investment insurance and investment guarantees for projects or activities carried out or participated in by America with the approval of the Chinese government, as an encouragement for more private American investments in China. Since this was the first foreign investment agreement concluded by China, it provided China with experiences for future foreign investment treaties and laid the foundation for the Chinese-American investment protection agreement which is now under negotiation.

The agreements signed by China with other countries on the promotion and mutual protection of investments are not much different from this type of agreement now internationally in common practice. They generally contain the following provisions: 1. Definitions; 2. Treatment of investments; 3.

Transfer of gains from investments; 4. Methods of settling disputes. In the following, I shall take the Chinese investment protection agreement with the FRG as example, (13) to demonstrate in detail the various aspects of such an agreement. In defining the term "investment," the agreement refers to all lawful property, which includes property rights to movable and immovable property and other rights over things, and also includes company shares, monetary claims convertible into economic values or rights to demand actions of economic value, copyrights, industrial property, trademarks, and every kind of patent right. In defining the term "investor," the agreement generally refers to juristic and natural persons of the nationality of the contracting countries. The agreement defines the term "gains" as the profits, dividends, interests or other lawful income accruing during a certain period of time. Articles 2, 3, 4 and 8 deal with the treatment of investments, the basic principle being that each contracting country must under all circumstances afford equitable and rational treatment to the investments within its territory by the other signatory country. (Article 2) The agrement also contains the most-favored-nation clause. Article 4 contains provisions on compensation in case of nationalization and regarding foreign investments incurring losses due to one country being involved in war or declaring a state of emergency. The third aspect, the transfer of gains and remittances, is dealt with in Articles 5, 6 and 7, where the foreign investor is given a comparatively large measure of freedom. Finally, there are provisions for the settlement of disputes. The said agreement provides that in case of a dispute, the contracting countries should as far as possible arrive at a negotiated settlement. If settlement is not achieved within 6 months, each of the contracting countries can demand arbitration. The agreement contains clear and definite provisions on the constitution of the arbitration tribunal, on the effect of the arbitration award and on the responsibility for the arbitration expenses.

In studying these investment protection treaties signed between China and other countries, there is one question that deserves our special attention, namely the "reciprocity" of these treaties. At the present stage, China is still a capital-importing country, and China's investments abroad are only of a very limited amount compared with foreign investments in China. However, in all investment protection treaties the protection provided to foreign investments must be reciprocal, meaning that each contracting party must provide reciprocal protection to investments in its territory by the other party. It is for this reason that treaties of this kind signed by China are generally called "agreements for the promotion and mutual protection of investments." They apply not only to investments in China by the other contracting country, but also to Chinese investments in the territories of the other contracting countries. However, while emphasizing the principle of reciprocity, more importances attaches to the protective role of these investment protection agreements for all foreign investments on Chinese territory, since China is presently in the position of a capital-importing country.

(2) Agreements on Taxation and Other Agreements Involving Foreign Investments

The question of taxation is a very important question in the Western economic system. It has a direct bearing on the profits gained by anyone engaged in any kind of economic activity. Legal provisions on taxation are, therefore, a matter of greatest concern to those either operating or employed in business operations. There are now a large number of investment projects, Chinese-foreign joint ventures and foreign employees in China, and since 1980 China has gradually built up a tax law system concerning foreign investments. However, since the foreign enterprises, branches of foreign enterprises and foreign individuals working in China are also subject to the laws of their own countries, conflicts may arise between the Chinese and the foreign tax laws. These may result in two irrational situations, one being double taxation, i.e. being taxed by Chinese as well as by the relevant foreign tax law. The other is tax evasion, i.e. a certain investment or person should be taxed, but evades taxation because of the foreign element in the legal facts. This kind of conflict of laws can generally be solved in two ways: one is to select one law according to the rules of conflict of law in one country, i.e. to regulate these cases according to the methods of private international law; the other method is to conclude treaties and regulate these cases by one uniform standard. The second method has many advantages over the first method. It is easier to apply, easier for the parties to understand and manage, and, what is even more important, it can bring about a comparatively more thorough solution to questions of conflict of law and, furthermore, achieve uniform results. It has therefore become general international practice to solve conflicts of tax laws related to foreign investments by bilateral treaties.

China has concluded agreements for the prevention of double taxation, tax fraud and tax evasion with Japan, the United States, Great Britain, France and other countries. Since tax laws are complex, different rules apply to different situations, and since many technical questions become involved, the texts of these treaties are in general also very complex.

Agreements for the prevention of double taxation, tax fraud and tax evasion are important supplements to China's domestic tax legislation, as they also form an important component of China's treaty law concerning foreign investments. Not only do they ensure application of Chinese domestic tax legislation to foreign investments and foreign personnel, but also round out China's treaty law. Because the tax problem is an important problem of direct concern to foreign investors, and since double taxation is what foreign investors are most concerned about, the way China resolved the problem in a rational manner by concluding treaties that protect the lawful interests of the foreign investors will also reasure their confidence in investments and encourage many more foreign investors to invest in China.

The Chinese government has concluded many other agreements that have a bearing on foreign investments. These agreements do not deal entirely with foreign investments, but their subject matter has a direct or indirect bearing on foreign investments, or certain of their articles directly or indirectly have a bearing on foreign investments. There is a large number of such agreements, including many trade agreements signed by the Chinese Government with foreign countries, as well as agreements for economic cooperation, agreements for the transfer of technologies, etc. For instance, the China-United States Industrial and Technological Cooperation Agreement, signed in Washington on 12 January 1984, is of this nature. Article 3 of this agreement specifically provides for broad industrial and technological cooperation between the contracting countries, including cooperation in production and manufacture. Even though this agreement has no direct bearing on foreign investments, the role of these agreements in China's foreign investment law must not be ignored. Especially in relation to those countries with whom China has up to now not yet officially concluded foreign investment protection agreements, the agreements that have been concluded become legal documents for the adjustment of mutual relations between China and those countries.

V. Short Summary

Foreigners have called China a country without law; we had the same idea during the "decade of turmoil." The impression that no legal system exists or that the legal system is imperfect is one of the most serious mental encumbrances of foreign investors regarding investments in China. However, since 1979, in the short period of only 5 years, China has established a comparatively perfect system of foreign investment laws.

The way a socialist country treats its foreign investors is not merely a theoretical question, but a highly important question of legislative reality. China has had no foreign experiences it could immediately copy, (14) but had to probe and explore its own way in actual practice. The Chinese Constitution on the one hand emphasizes the principle of socialist public ownership economy and on the other hand affirms the special characteristic of a diversity of socialist economic forms, and it has also incorporated the principle of protecting foreign investments in its text. The Chinese system of foreign investment laws is, therfore, a component of China's socialist legal system; it is well coordinated with all other Chinese domestic laws into one unified entity.

China's foreign investment legislation has its own distinctive legislative principles and objectives. It emphasizes upholding sovereignty and national interests in the process of importing foreign capital, while at the same time actively encouraging foreign investments by granting various favorable conditions. The principle of equality and mutual benefit is one of the five principles of peaceful coexistence advocated by China, as it is also one of the important principles of modern international economic law. It is a principle that China has all along pursued in its foreign economic relations and trade activities. It has found faithful implementation in China's foreign investment legislation. Because China's foreign investment legislation is manifesting China's policy of promoting and encouraging foreign investments during China's present stage, this legislation has played an important role in the expanded importation of foreign capital, and in the acceleration of China's economic construction and scientific and technological development. It, furthermore, promoted and protected China's economic cooperation and technological exchanges with other nations, and thus enriched the world economy.

China's system of foreign investment laws also shows distinctive levels and a rational structure. The domestic portion incorporates legislation in the nature of principles as well as legislation on particular details. It contains norms of local applicability as well as norms of nationwide applicability. Its treaty law part lays stress on upholding our national interests, but at the same time gives consideration to the protection of the interests of the foreign investors, and, furthermore, resolves certain problems of specific legal applicability as regards investments. The two large groups are then also harmoniously combined into one by China's Constitution, thereby achieving the nature of a unison and complete system.

Even though China's system of foreign investment laws is a fairly complete system, it still is a system in the course of being built up. A truly perfect foreign investment law of a country comprises not only parts that apply to imported foreign investments operating on its own territory, but also sections that would apply to the investments by its own state, juristic persons and citizens outside of its own territory. We feel justified in affirming that in the wake of China's economic development, China will in future establish legal provisions for China's investments abroad and render China's system of foreign investment laws even more perfect.

FOOTNOTES

1. Speech by Gu Ming [7357 2494], president of the China Economic Law Research Society and deputy secretary general of the State Council at the International Investment Law Conference at Dalian (RENMIN RIBAO, 19 November 1984).

2. Tomothy Haosen Wan, "A Comparative Study of Foreign Investment Laws in Taiwan and China," in CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL, Vol 11 (Spring 1981) p 236.

3. Peng Zhen [1756 4176], "Report on the Revision of the Constitution," given at the Fifth Session of the Fifth NPC, on 26 November 1982.

4. Idem.

5 and 6. Article 5 of the Enforcement Regulations to the Chinese-Foreign Joint Venture Law.

7. For instance, emphasized in the "Statutes of Economic Rights and Obligations of All Countries," passed by the General Assembly of the United Nations, 1974.

8. See Chapter 4, subsection 1, of this article.

9. This view is extremely common among Western scholars. See: Alford & Birenbaum, "Joint Ventures in the China Trade; an Analysis of China's Emerging Legal Framework for the Regulation of Foreign Investment," in NORTHWESTERN JOURNAL OF INTERNATIONAL LAW AND BUSINESS, Spring 1981, p 92.

10. This is also predicted by some foreign scholars, see: Cohen and Nee, "Joint Ventures; Behind the Headlines," in THE ASIAN WALL STREET JOURNAL, 21 July 1979.

11. Refer: Georg Schwarzenberger, "Foreign Investment and International Law," 1960.

12. See footnote 1, but no mention in Gu Ming's speech of the three countries Canada, Norway and Italy. China's foreign investment protection agreement with Canada was signed on the occasion of Premier Zhao Ziyang's visit to Canada, January 1984. China's investment protection agreement with Norway was signed on 21 November 1984, on the occasion of the Norwegian Premier Willoch's visit to China. China's investment protection agreement with Italy was signed on 5 January 1985.

13. The Chinese-German "Agreement for the Promotion and Mutual Protection of Investments" was signed in Beijing on 7 October 1983. The agreement has 13 articles and an additional protocol.

14. The foreign investment laws of East European countries generally provide that the foreign investment in the joint enterprise is limited to 49 percent, so as to retain decision-making power and ensure completion of the state's economic plan. Yugoslavia has recently abolished this provision. See: "Yugoslavia Relaxes Restrictions on Foreign Investments," RENMIN RIBAO, 2 December 1984, p 6.

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FOREIGN TRADE AND INVESTMENTS

PARTS OF FOREIGN ECONOMIC CONTRACT LAW TEXT EXPLAINED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 8, 27 Aug 85 pp 31-35

[Article by Feng Datong [7458 1129 0681]: "Foreign Economic Contract Law--Eighth Lecture on International Economic Relations and Trade Laws"]

[Text] The Foreign Economic Contract Law of the PRC [FECL] was adopted at the Tenth Session of the Standing Committee of the Sixth NPC and entered into force on 1 July 1985. The said law was to meet the needs of China's opening up to the outside world. It bases on the fundamental principles which China applies to its foreign economic and trade relations and was formulated on the foundation of the sum total of China's actual experiences in handling foreign economic contracts since the founding of the PRC, as well as with reference to international practices and international customs. It is an extremely important piece of Chinese legislation concerning economic contractual relations with foreign parties. The law has 17 chapters on the subjects: formation of contract, performance of contract, liability for breach of contract, assignment, modification, cancellation and termination of contract and the settlement of disputes. The law has 43 articles. I shall introduce in the following certain main parts of the law:

I. General Provisions

In its general provisions, the FECL mainly describes the legislative purpose of the law, its scope, fundamental principles and questions of its applicability, as will be stated in more detail in the following:

(1) The Legislative Purpose

Article 1 of the FECL makes purpose and main theme clear right at the start by stating that the purpose of the law is to protect the lawful rights and interests of parties to economic contracts and to promote the development of China's foreign economic relations. The term "parties to economic contracts" refers here not only to the Chinese parties, but comprises foreign parties as well; the law treats Chinese and foreign parties absolutely equal without discrimination, and protects their lawful rights and interests in the same way. Only in this manner will it be possible to achieve its aim of promoting the development of China's foreign economic and trade relations.

(2) The Scope of the Law

According to Article 2 of the FECL, the law applies to all economic contracts concluded between Chinese enterprises and economic organizations on the one side and foreign enterprises, other economic organizations and individuals on the other side, with the exception of international transport contracts. This provision is evidence of the broad scope of the law's application. Within the scope of the law are, for instance, all contracts of joint ventures using Chinese and foreign capital, contracts of Chinese-foreign cooperative management enterprises, Chinese-foreign contracts for the joint exploration and development of natural resources, import-export trade contracts, contracts for the transfer of foreign technologies, compensation trade contracts, contracts for the processing or assembly of imported materials, international leasing contracts, etc. The provisions of the FECL will apply to a contract if the parties to the above-mentioned contracts stipulate in their contracts that Chinese law shall apply, or if Chinese law requires that certain categories of contracts must be governed by Chinese law, or if a law court or arbitration organization determines that Chinese law has to apply. The only exceptions are the international transport contracts, and the reason for that is possibly that these contracts concern the different ways of transportation, by sea, air or land, where special conditions prevail, which require the enactment of more specific regulations, such as a maritime trade law, air transportation law, railway transportation law, etc. Furthermore, international transport trade must be conducted according to pertinent international conventions; these types of contracts are, therefore, not placed within the scope of the FECL.

(3) Fundamental Principles

In its foreign trade relations, China has all along firmly upheld a policy of independence and self-determination and observed the principle of equality and mutual benefit, and also has give due attention to international practices and customs. These policies and principles are also the fundamental principles of the FECL. The said law, for instance, prescribes: "Contracts must observe the laws of the PRC and must not harm the social and public interests of the PRC." "Contracts must be concluded in conformity with the principles of equality and mutual benefit and of achieving unanimity through negotiations." The law also prescribes that in cases where no provisions exist in the laws of the PRC, international practice may apply. All these provisions are concrete manifestations of the above-mentioned principles. These principles are not only the substance of the general provisions, but permeate the entire law from beginning to end.

(4) Applicability of the Law

Since foreign economic contracts are contracts concluded between Chinese and foreign parties, at least one party is a foreign enterprise or foreign individual. Should a dispute occur, the question of the applicability of the law frequently arises, i.e. the question of which national law should be applied in the resolution of the dispute. Since there are differences in the different national laws, the resolution of a problem can possibly lead to different results, depending on which national law is applied to the case.

The parties, especially the foreign parties, will therefore attach great importance to the question of the applicability of law. On this point, the FECL contains the following provisions:

1. The parties to the contract may choose the law to be applied to the settlement of disputes arising from the contract. This is the fundamental principle. Most countries allow the parties to freely choose the law that should apply to their contracts. It may, furthermore, be explicitly stipulated in the contract, as for instance, that Chinese law, or Japanese law, or English law, etc., shall apply to the contract. This is called a choice of law clause. The main purpose of including this clause in the contract is to provide legal certainty and avoid the event that at a later date in case of dispute different results may be arrived at by the application of different national laws.

Although most countries now allow the parties the freedom to choose the law applicable to their contracts, most also impose some limitations on this choice. For instance, many countries demand that the law of choice must have a real connection to the contract, that the choice must be in good faith and a lawful one, must not violate the public order of the country where the law court is located, and must not evade laws of compulsory nature of the country genuinely related to the contract. Though there are no specific provisions on this point in Chinese law, Article 9 of the FECL clearly prescribes that contracts that violate the law or the public interests of society of the PRC are invalid. According to this provision, the law chosen by the parties must not violate Chinese laws or the public interests of Chinese society.

2. If the parties have not made any choice of a law to be applied to their contract, the law of the country which has the closest relation with the contract shall be applied. According to the procedure generally adopted internationally, if the parties have not explicitly stated in the contract which law is to apply, and a dispute arises, the law court or arbitration organization that is to deal with the case must decide what law to apply according to the conflict of law rules at their location or according to the conflict of law rules they consider must be applied. In conditions of this nature, it is generally suggested to apply the laws of the country that is related closest to the contract. The law of the closest relation can mean the law where the contract was signed, where the contract is to be fulfilled, where the property in dispute is located, where the place of business of the parties is located or where the arbitration organization or law court is located on which the parties have agreed. To make the specific choice among these is up to the law court or arbitration organization to which the dispute is brought; the decision should consider the nature of the contract, the text of the contract and the specific conditions of the dispute.

3. Contracts of joint ventures using Chinese and foreign capital, contracts of Chinese-foreign cooperative management enterprises, contracts for joint Chinese-foreign exploration or development of natural resources, if performance is to take place within the territory of the PRC, must be governed by Chinese law. This is a special rule, the idea being that the mentioned three types of contracts must apply Chinese law, without allowing the parties a choice of any other law. However, this rule must be applied only to the

three mentioned contracts themselves, and must not be extended to include economic contracts that the above-mentioned enterprises conclude with foreign enterprises. For instance, when the Chinese and foreign party conclude a joint venture contract, that contract itself must be governed by Chinese law, and foreign law cannot be applied to it. However, the joint venture enterprise set up according to this contract is a Chinese juristic person, and if it should conclude contracts with foreign companies or enterprises, such as for the purchase or sale of merchandise, the two parties to these contracts are free to choose the laws that should apply to these contracts.

4. If there are no relevant provisions in the laws of the PRC, international practice may apply. This provision, on the one hand, fills gaps where such exist in current Chinese economic legislation, and, on the other hand, establishes closer coordination between the Chinese practice of dealing with foreign economic relations and international practices and customs.

Article 6 of the FECL, furthermore, prescribes that when an international treaty which the PRC has concluded or is participating in relates to a contract and has provisions that differ from the law of the PRC, the provisions of the said treaty shall be applied, but with the exception of clauses to which the PRC has declared its reservation. The purpose of this provision is to acknowledge in legal form the priority of treaty provisions, thus establishing an even better interrelation between Chinese law and international treaties. This plays an extremely important role in the development of China's foreign trade relations.

II. Conclusion of Contract

Chapter 2 of the FECL contains clear and definite provisions on the conclusion of contracts; the main substance of the chapter is the following:

(1) Basic Conditions for the Formation of Contracts

Article 7 of the FECL prescribes: "A contract is formed when the clauses of contract are agreed in writing and signed by the parties." This provision sets two conditions for the formation of a contract:

1. Substantial Condition

The contract can only come about if both parties arrive at an agreement on all contract clauses. This is a basic condition that must be fulfilled by every contract. If the parties cannot arrive at an agreement on all clauses of the contract, no contract can be concluded. Concluding a contract is a legal act by the two parties, brought about by the two legal acts of an offer and an acceptance. If the offer by one party is unconditionally accepted by the other party, this can be counted as having reached agreement and the contract has been accomplished. Legal rules regarding the offer and the acceptance are in most countries contained in their civil law or contract law. China has no civil law yet, nor does the FECL contain any specific provisions in that respect. However, all Chinese foreign trade corporations have established a set of customary procedures in their foreign trade operations, to which reference may be made. The Chinese foreign trade corporations call the offer a "fa pan" or "fa jia" [opening bid], and distinguish a substantial and a hollow opening bid, the main difference between the two being the difference in binding force for the bidder. The substantial opening bid is of binding force for the bidder; the bidder cannot withdraw or amend the bid at will during the period specified in the bid. If the other party unconditionally agrees to or accepts the substantial bid within the set time limit, the contract is concluded, without the need for any further confirmation by the bidder. The substantial bid must fulfill the following two conditions: (1) It must set forth, completely, clearly and definitely, the conditions of the transaction, and (2) it must set a time limit. The hollow bid is an offer made with certain reservations; is has no binding force for the bidder, who may at will withdraw or amend the bid. Even if the recipient of the hollow bid signifies acceptance, a contract will only come about after the final acknowledgment by the bidder. Hollow bids are usually accompanied by such phrases as "subject to my final acknowledgment," or "subject to merchandise still remaining unsold," etc., and will also not set a time limit.

Acceptance is the act by which the contract clauses of the offer are accepted. As soon as the offer is accepted, the contract is concluded. According to the customary practice of China's foreign trade corporations, the acceptance must fulfill the following two conditions: (1) The acceptance is only effective if the communication of it reaches the bidder within the specified time limit, and (2) the acceptance must unconditionally accept all clauses of the proposed contract. Any acceptance beyond the time limit or an acceptance with conditions attached will in principle not be considered as effective acceptances, but must be regarded as a new offer or counteroffer by the recipient of the original offer.

2. Formal Condition

According to the provisions of the FECL, a foreign economic contract must be made out in written form. The reason for this is that a foreign economic contract is a comparatively important contract of a rather complex nature, generally involving large amounts of money. It is therefore necessary to insist on the written form as a token of the seriousness of the transaction. Should a dispute arise, there will then be evidence in writing to facilitate proof. In the opposite case, if contracts are concluded verbally, and a dispute arises, frequently no reliance would be placed on the mere verbal statements, and there would be great difficulty proving the facts of the case.

(2) Regarding Agreements by Correspondence, Telegrams or Telex

Article 7 of the FECL also stipulates: "When an agreement is reached by correspondence, telegram or telex and one party requests a written confirmation, the contract is only concluded with the signing of the written confirmation." It would follow from this provision that if the parties do not request a written confirmation in the case of an agreement by correspondence, telegram or telex, the contract is concluded as soon as the parties have reached agreement, i.e. as soon as the letter, telegram or telex containing the acceptance has become effective. However, this rule applies only to agreements reached by correspondence, telegram or telex. Among trade circles this form of concluding contracts is called transaction by letter or telegram.

In international trade parties mostly negotiate and conclude agreements through this form of transactions by letter or telegram, and it is unlikely that most will request written contracts or confirmations. The said provision of the FECL is therefore in line with international practices. It is also not in conflict with the earlier mentioned demand that foreign economic contracts must be agreements in written form, because according to the 1980 international trade convention, correspondence, telegrams and telex are to be considered written forms.

(3) Contracts Requiring State Approval

The FECL, furthermore, specially prescribes that contracts which according to Chinese law or administrative regulations require state approval can only be considered concluded after such approval has been obtained. This mainly refers to contracts for joint ventures using Chinese and foreign capital, contracts for Chinese-foreign cooperative management enterprises, contracts for joint Chinese-foreign exploitation and development of natural resources, contracts for the transfer of technologies, compensation trade contracts and contracts for the processing or assembling of imported materials. These contracts can only become effective after approval by the organ charged by the state with the examination and approval of such cases. The time of conclusion of such a contract is, therefore, the date of approval by the organ in charge of its examination and approval, and not on the date when both parties sign the contract.

III. Performance of Contract and Liability for Breach of Contract

The FECL strongly emphasizes the seriousness of the contract; a contract has binding force as soon as it is entered into according to law. Both parties are obliged to fulfill the obligations stipulated in the contract, and neither party may arbitrarily alter or terminate the contract. If one party does not fulfill the contract or does not fulfill it according to the conditions stipulated in the contract, it would constitute a breach of contract, unless brought about by force majeure. The party that violates the contract is responsible for all consequences.

According to the provisions in Chapter 3 of the FECL, if a breach of contract occurs, the party not guilty of the breach of contract may adopt one of the following remedial measures:

(1) Compensation for Damages

Article 17 of the FECL prescribes that if one party has definite proof that the other party cannot fulfill his contractual obligations, the former party may temporarily suspend performance of his obligations, but must immediately inform the other party of the fact that he is doing so. When the other party provides a full guarantee of performance, the opposite party may no longer withhold performance. The party who suspends performance without definite proof that the other party is unable to fulfill its obligations shall be held responsible for a breach of contract. In this respect two questions have to have our attention: First, the "definite proof" that one party must have of the other party's inability to fulfill the contract. This alone will justify the party to suspend its own performance. Performance must not be arbitrarily stopped because of a groundless suspicion that the other party will not fulfill its obligations. The party that in this way would arbitrarily stop performance would be held responsible for a breach of contract. Generally speaking, definite proof of inability to fulfill the contract could possibly be a war or a blockade involving the country of one party, or the insolvency of a party. Second, if the other party provides a full guarantee of performance, the opposite party must fulfill its obligations and may no longer withhold performance. The term "full guarantee" ordinarily means a bank guarantee of performance, but could also be rights to some asset of the party in question (a mortgage or a pawn) or any other form of security.

(4) Cancellation of Contract

Cancellation of a contract actually means nullifying a contract that has already been concluded. This is an important legal step. Every country imposes certain limitations on the cancellation of contracts; it is not that any violation of one party would entitle the other party to cancel the contract. The Chinese FECL also imposes comparatively strict limitations on the cancellation of contracts. Only one of the following conditions allows a party to cancel a contract: (1) If the contract violation by one party seriously affects the economic results that the other party hoped to achieve through the contract; (2) If one party does not fulfill the contract within the time limit set in the contract and still fails to perform within a reasonable period of time allowed for delayed performance; (3) In case force majeure makes performance of all contract obligations impossible; (4) If conditions have arisen which the parties had agreed in the contract as reasons for cancellation.

(5) Other Reasonable Remedial Measures

These are provisions of a very broad spectrum. What particular remedial measure could be covered is determined to a large measure by the nature of the contract and the conditions of the contract violation. For instance, if the goods delivered by the seller in the case of a sales contract are not in accordance with contract stipulations, the buyer can demand of the seller the removal of the defect, or the replacement of the defective goods, or a reduction in price, etc.

Moreover, according to the provisions of the FECL, the party that suffers a loss due to the contract violation of the other party is under obligation to take appropriate measures to prevent aggravation of the loss. Otherwise, he may not demand compensation for losses that occurred due to failure to take prompt and appropriate action.

IV. Settlement of Disputes

Article 37 of the FECL prescribes that disputes arising from a contract may be settled through negotiation, mediation, arbitration or by lawsuit.

Friendly negotiations are consultations conducted directly between the parties after a dispute arises and leading to the settlement of the dispute among the parties themselves. In the course of negotiations both parties will make certain concessions and on finding these mutually acceptable will arrive at a reconciliation, without the need for any third party to participate.

Mediation is conducted between the two parties under the direction of a mediator, urging the parties to arrive at a reconciliation and to resolve the dispute between them. In China mediation takes place on the basis of mutual consent of the parties under the direction of the foreign economic relations and trade arbitration organization, and at times it may also be possible to conduct the mediation jointly with the arbitration organization of another pertinent country.

Arbitration is an important form of settling international economic disputes. According to the provisions of the FECL, cases of parties not wanting to negotiate or mediate the dispute, or having failed to reach agreement in negotiations or mediation may submit the dispute to arbitration by the Chinese arbitration organization or by a foreign arbitration organization, according to the arbitration clause in their contract or an arbitration agreement in written form signed sometimes later. The arbitration organization can accept only cases at the request of the parties, based on the arbitration clause of their contract or on an arbitration agreement; without such arbitration clause or arbitration agreement, the arbitration organization cannot accept and hear cases.

If the parties have no arbitration clause in their contract and also did not sign an arbitration agreement later on, each party may in case of dispute file a lawsuit in the people's court.

The FECL has, furthermore, clear and definite provisions on the assignment, alteration, cancellation and termination of contracts. Due to limitations of space, the present article cannot introduce these in further detail.

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BRIEFS

ELECTRONICS EXPORTS PUSHED--The China Electronics Import/Export Corporation operates on behalf of the Chinese electronics industry which currently numbers some 2000 enterprises. Chinese electronics exports amounted to approximately $100 million in 1984. The number of products has risen from 20 in 1980 to a present 90. Exports are aimed at the United States, Japan and Europe and intensified efforts are to be aimed at South America, Africa and the Near East. [Bonn WEHRTECHNIK in German May 86 p 77] /7358

ELECTRICAL MACHINERY CONTRACT--Stockholm, 12 Apr (AFP)--Cewe Instrument AB, a Swedish firm specializing in electrical machinery, has won a contract worth eight million kronor (about U.S. $1 million) to supply a Chinese company in Beijing, economic sources said here Saturday. The Swedish company, based in Nykoeping, 100 kilometers (63 miles) southwest of here, has also signed a series of agreements for a 10-year technological alliance with the Chinese firm, which was not named, the sources said. Cewe Instrument AB won the contract, which may be followed by others, according to the sources, against strong competition from several large multinationals, including Siemens of West Germany. [Text] [Paris AFP in English 1400 GMT 12 Apr 86 AU] /9738

CSO: 4020/316

INTERVIEW WITH STATISTICS OFFICIAL ABOUT POPULATION ISSUES

Beijing JINGJI RIBAO (ECONOMIC DAILY) in Chinese 24 Feb 86 p 2

[Article by Cheng Yuan [4453 6678]: "A Discussion on Population, Interview with Sun Jingxin [1327 0352 2450], Head of the National Statistics Bureau Population Statistics Department"]

[Text] The population problem is the crucial component in the coordinated development of China's economy. The population situation and its effect on future development is a problem concerning everyone. Pertaining to this, we recently interviewed Comrade Sun Jingxin, who is head of the population statistics department of the National Statistics Bureau.

Sun Jingxin told us that in recent years China has been successful in controlling population growth. In the last 5 years China's planned birth rate gradually increased each year, which largely reflected that the total number of children being born to a woman of childbearing age fell dramatically. During the Sixth 5-Year Plan, the population increased by more than 12 million people annually, a reduction of more than 100,000 from the annual average of the Fifth 5-Year Plan. At the same time, the condition of the population improved greatly as child care was excellent, and both the disease and mortality rates fell noticeably. Life expectancy increased to 68 years, which is 11 years higher than in 1957 and also higher than the world average.

Sun Jingxin said that in the last 2 years, China's population growth had settled into a low period, but that this could not be misinterpreted to mean that the problem of controlling population growth had been solved. Compared to developed nations, China's growth rate is still one-third higher. This is especially a result of China's large population base and the tremendous inertia of population expansion. In the next 10 years, there is the potential for a lofty birth rate. If things get out of control and the population starts to grow wildly, the growth rate could attain unprecedented speeds. Even if the present overall birth rate of 2.2 percent gradually falls to 1.8 percent by the year 2000, the total population of China will have increased by 220 million. Thus the task of controlling population growth most assuredly cannot be relaxed. Sun believes that the most important thing that could hinder low growth rates in the population is the high rate of pregnancies. Because four-fifths of the females of childbearing age are in the countryside, in the future population control must be stressed in rural areas.

Because China's rate of population growth has declined quickly in the last 10 years, people are worried that China's population is aging. Sun Jingxin said that in general, if the elderly account for more than 7 percent of a population, it could be classified as an older population. In 1982, those 65 and up only comprised 4.8 percent of the population; it is calculated that by the end of the century it will surpass 7 percent. But because China's birth rate has fallen quickly, the population is aging rather swiftly. Furthermore, as China's total population is vast, the absolute number of senior citizens is correspondingly large. However, Sun feels that the problem of an aging population will not have that great an impact on the labor resource pool and its quality within the next half a century. Sun says that from now until the 21st century China's work force will continue to grow. In 2040, though the proportion of elderly in the population will reach 20.9 percent, the labor force will still have nearly 730 million people, which is 120 million more than in 1985. Within the next 6 years there will no longer be any shortage in the labor pool. In fact, it will be precisely the opposite, as pressure to find employment will become rather intense. Along with an increased number of senior citizens, care for the elderly will increase beyond what would naturally occur, but on the other hand, the need for child care will steadily decrease. Thus the proportion of the total population requiring care will decrease continuously before 2010, and by 2040 the 1982 level of 63.26 percent will still not have been surpassed. This indicates that there will not be a problem with a minority caring for a majority. Nevertheless, an increase in the population of the elderly necessarily creates a definite burden for society. Starting from the present, China must draw up plans and take steps to expand health maintenance and service facilities for the aged.

In discussing the condition and makeup of China's population, Sun Jingxin said that before liberation the nation's economy was backward, the cultural level was low and the illiteracy rate was more than 80 percent. Since the establishment of new China, though the illiteracy rate has steadily fallen, it is still higher than many developing nations. According to data from the third national population census, 34.5 percent of those 15 and up are either illiterate or half-literate, and among those who are employed, illiteracy is still a high 28.2 percent.

Sun Jingxin also gave us an analysis of the professional makeup of China's work force. He noted that at present 10.35 percent of the work force is employed in tertiary industries, which is not only vastly lower than the 67.9 percent in the United States and 56.5 percent, in Japan, but it is also lower than most other developing countries. The structure of China's tertiary industries is also illogical: services for production and daily life as well as service departments for raising scientific and cultural levels and the quality of life account for a very low proportion. Thus it is difficult to make headway regarding clothing, food, and general consumption problems. Enterprises and service units must set up their own service departments themselves. At present, among that part of the work force engaged in tertiary style industries, about one-third is scattered about in various enterprise units that are not classified as social service trades. These units are integrated systems and are universally either "large and comprehensive" or "small and comprehensive," and so they are known as "factory units that are societies unto themselves." The socialization of service industries is low, which hinders the professional effectiveness of all kinds of enterprises and agencies. Sun Jingxin thinks that the initiation and development of tertiary industries is an essential trend in furthering the division of labor and in steadily increasing labor productivity; it is a very important characteristic of a modernizing economy. China's superior, planned, socialist economy is the most fitting starting point for meeting the development needs of the whole society, for establishing and perfecting the social service structure, for modernizing social services, for increasing labor productivity and for accelerating economic development.

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POPULATION

DEMOGRAPHIC RESEARCH ON CHINA'S ETHNIC MINORITIES REVIEWED

Beijing ZHONGGUO SHEHUI KEXUE [SOCIAL SCIENCES IN CHINA] in Chinese Vol 1, Jan 86 pp 79-90

[Article by LÜ Guangtian [0712 0342 1131]: "Review of Demographic Research on China's Minority Nationalities"]

[Text] Step by step, research on the population of the minority nationalities is becoming more thorough in China. Such research involves both ethnology and demography, and many countries around the world are taking it seriously. For example, Canada has investigated and made forecasts about the population of its Indian tribes. The USA is investigating natural growth, marriage and other aspects of the population of both its ethnic minorities and its blacks. Israel is developing its research of ethnic population, immigration and housing policies. (Footnote 1) (See Yang Yixing [2799 0001 2502] and Zhang Tianlu [1728 1131 6424], "Some Views on and Suggestions for Demographic Research on China's Minority Nationalities" (mimeograph), paper read at Second Symposium of the Chinese Ethnology Society). It is especially worth noting that Soviet research on the USSR's minority nationalities has gradually become a discipline known as ethnodemography; the monograph "Ethnodemography" by Keciluofu [4430 5417 3157 1133] was published in 1977. Generally speaking, no one has any differences on the objects of research in the discipline; it is the research methods that apparently still need to be discussed. In "Ethnodemography," Keciluofu asserts that "ethnodemography is a discipline whose primary object of research in the ethnic group. The discipline's central task is to use demographic methods to study the characteristics of the reproduction of each ethnic group's population." (Footnote 2) (Quoted in He Guoan [6320 0948 1344]: "Soviet Ethnology Studies Reality," Nationalities Institute, Chinese Academy of Social Sciences. See also "Ethnodemography Is a Discipline" in "Translations About Nationalities," 1983, issue 1). Here he stresses the use of demographic methods to study ethnic populations. We believe that this is insufficient. Research on the population of minority nationalities requires the use of both demographic and ethnological methods. This is because the population that is the object of demographic study has both natural and social attributes, while the essence of population is its social attributes. As far as the social attributes are concerned, the population process is determined by the social mode of production and by the contradictory movements within the superstructure suited to that mode. Generally speaking, therefore, demographic research should be done within the context of the contradictory movements among the productive forces, the relations of production, the superstructure and the economic base. This is the basic method of demography. But because minority nationalities have their own special social life, a fair number of them not only differ from the Han in their stages of social development and in the levels of the productive forces and the relations of production but differ even more greatly from the Han in their superstructures. Their own special social structure, culture, psychology,customs and habits all directly influence the population processes of the minority nationalities. When studying the demography of those nationalities, therefore, we need to apply more than the general methods of relatively high-level demographic research. We also need to apply the principles and methods of relatively low-level ethnology. Generally speaking, however, our comrades' discussions do not contain the distinction between these two levels; the research methods of ethnodemography are succinctly described as "necessarily both demographic and ethnological." This article also adopts this succinct description.

1. Conceptual Breakthrough and the Pursuit of Method

In the first half of this century, the study of the populations of minority nationalities had already begun in China. For example, our famous demographer Chen Da [7115 6671]--in his book "Modern China's Population" that he wrote before liberation--brought up policy issues concerning population growth among Xinjiang's minority nationalities and furnished materials on the population of some of the minority nationalities in the Kunming area in Yunnan. There are also the examples of the surveys of minority nationality populations that we can find in "Demographic Survey of 80 Miao Families in Southern Sichuan" by Yang Han [2799 3352]; in "Population Issues in Xikang" by Wu Wenhui [0702 2429 2547] et al; "Demographic Survey of the Miao of Xuyong in Southern Sichuan" by Hu Qingjun [5170 1987 6874]; and in "Contemporary Geographical Distribution and Population Estimates of Several of Yunnan's Aboriginal Peoples" by Tao Yunkui [7118 0061 6652]. All of them provide valuable material for ethnodemographic research. After liberation, Professor Sun Jingzhi [1327 2417 0037] was the chief editor of "The Geography of China," one of whose chapters discussed China's minority nationality populations. Particularly noteworthy are the following: in 1956 the Nationalities Committee of the National People's Congress organized 8 fairly large groups to investigate minority nationalities; in 1958 the Nationalities Institute of the Chinese Academy of Sciences organized 16 such groups. These groups conducted thorough field investigations of social history in every minority nationality region and accumulated plenty of demographic material. In their compilation entitled "Three-Volume Collection" and in the "Five Collections" that the State Nationalities Commission plans to publish, (Footnote 1) ("Three-Volume Collection" and "Five Collections:" starting in 1959, the two sets of investigative groups issued in succession "A Short History of the Minority Nationalities, "Brief Annals of the Minority Nationalities" and "The Minority Nationalities' Autonomous Regions." In 1979, the State Nationalities Commission organized an editorial board for "Five Collections on Nationality Issues. On the basis of investigative material from the past and of the three collections, the board planned to compose afresh the following: "Collection of the Short Histories of China's Minority Nationalities," "Collection of the Brief Annals of the Languages of China's Minority Nationalities," "Collection Pertaining to the Autonomous Areas for China's Minority Nationalities," "Collection of Materials on the Social Histories of China's Minority Nationalities" and "China's Minority Nationalities." By the end of October 1985, 134 copies had already been published; everything is to be published in 1986) there are special chapters and sections on the populations of every nationality and every region. All this has laid the foundation for the study of China's minority nationality populations.

In step with the development of demography and ethnology, the latter part of the 1970's saw even more researchers attracted to the investigation and study of China's minority nationality populations. The increase in the number of such researchers was conspicuous. To wit, the Chinese Ethnological Society was founded in October 1980, and the Chinese Demographic Society was founded in February 1981. In October 1981 there took place in Guiyang the "National Symposium on the Investigation and Study of Some Minority Nationality Populations." Based on the investigative materials and papers presented at this symposium, "Materials on the Populations of Some of China's Minority Nationalities" appeared in print after the symposium. (Footnote 1) (Special issue of "Newsletter of the Chinese Demographic Society," 1981, issue 5). In 1982 the "National Symposium on the Investigation and Study of Minority Nationality Populations" took place in Lanzhou and discussed the following: (1) the present state of minority nationality populations; (2) the characteristics of the development of those populations; (3) the influence of religion on the development of those populations; and (4) birth control among the minority nationalities. After discussing these issues, the symposium concluded: (1) that the minority nationality populations must have planned growth; (2) that the quality of those populations urgently awaits improvement; and (3) that investigation and study of those populations must be enhanced, especially the study of comprehensive and theoretical issues. This latter symposium shows that the standard of research on China's minority nationality populations has already risen greatly.

In recent years, ethnologists have produced the following noteworthy books in the field of ethnic populations: (1) "Population Handbook," edited in 1981 by Comrades Hong Kang [3163 1660] and Wu Zhongguan [0702 1813 6034], (Footnote 2) (Published in 1981 by the Chengdu Birth Control Propaganda Center) which elaborates fairly systematically and comprehensively on the objects and meaning of the study of ethnic populations; (2) "Some Views on and Suggestions for Demographic Research on China's Minority Nationalities" by Comrades Yang Yixing and Zhang Tianlu, which advances a set of tentative ideas on ethnodemographic research that combine ethnology with demography; and (3) "On Ethnodemographic Research" by Comrade Tao Changping [7118 7022 1627], (Footnote 3) (In "Interethnic Unity," 1984, issue 3) which sets forth valuable exploratory suggestions for the study of minority nationality populations. In addition, many comrades have done long-term field studies in minority nationality villages and obtained plenty of firsthand material. During 1980-4 China's press published a total of several tens of articles about research on minority nationality populations. The articles that examined the broad issues concerning China's minority nationality populations raised the following points:

1. At the time of the 1982 census, China's minority nationality population stood at 67.23 million and accounted for 6.7 percent of the country's total population. In terms of population growth, the minority nationality population increased at a generally faster rate than did the Han after liberation. During 1964-82, China's population grew at an average annual rate of 2.09 percent, while the analogous rate for the minority nationality population was 2.49 percent. In the 4 years from 1978 to 1982, the latter population increased at an average annual rate of 4.77 percent. In this way the nationalities of more than 1 million people, which numbered 10 in 1953, numbered 15 in 1982.

2. Although the minority nationality population is small in relative terms, it is not small in absolute terms, since the United Kingdom, France and West Germany all have populations of under 67.23 million. Moreover, because of the youth of the minority nationality population, there is a great potential for growth. In the not-too-distant future, it is bound to achieve a new peak in population growth.

3. This type of growth rate for the minority nationality population has already had two consequences. The first is the lack of coordination between population growth and economic growth, as cultivated land (grasslands) and other natural resources are decreasing year after year in per capita terms. The second is that the population has grown so fast that it is exceeding the progress made in the areas of culture, education and public health. This in turn has affected the improvement of health and education among the minority nationalities and has lowered the quality of their populations.

4. Before liberation, 29 of China's 55 minority nationalities were in the primitive stage, the slave stage or the serf stage of social development. Hence these nationalities' populations are still growing relatively slowly.

Most of the demographic literature on minority nationalities deals with the minority nationality population in a single region (e.g., Xinjiang, Ningxia, Guangxi, Qinghai, Yunnan, Guizhou, Gansu, Yanbian, Guangdong, Hunan, Fujian, Tibet or Sichuan). It consists of an introduction to the region's minority nationality population and an analysis of its population policy, materials and population composition. Some of the literature deals with the population of a specific people (e.g., the Dongxiang, Hui, Wa, Dai, Oroqen, Mongols, Tibetans, Yi, Jinuo, Koreans, Yao, Zhuang or Li). Representative works of this type of literature include studies of the Yi of LIangshan and of the Tibetans of Tibet, Sichuan and elsewhere. They will be reviewed later in this article.

In addition to the achievements of research mentioned above, the populations of the Kazakhs, Yugur, Tu, Shui, Jing, Mulam and Blang have also been investigated.

From the demographic literature already in print on the minority nationalities we can tell that some extremely valuable breakthroughs have occurred in this field in terms of academic concepts. In the first place, we are starting to take seriously the issue of population quality. In the past, we often looked upon the minority nationality population growth rate and the minority nationality population as a percentage of China's population as the sole criteria by which to judge the implementation of the nationalities policy. This was correct in a sense, but it also had a certain one-sidedness. Now, quite a few comrades point out that excessively rapid minority nationality population growth has meant lagging economic growth and that from now on we should make the improvement of population quality a major task. In the second place, we have explicitly raised the question of controlling the minority nationality population. Everyone has affirmed the necessity of controlling the growth rate in densely populated minority nationality areas. On the other hand, must we pay attention to controlling population growth in sparsely populated minority nationality areas like Tibet (1.6 persons per square kilometer) and Qinghai (5 persons per square kilometer)? Some believe that such areas can do without population control, while others hold the opposite view. The latter group of comrades believes that although minority nationality areas (like western China) are sparsely populated with an average density of fewer than 10 persons per square kilometer--some have an average density of under 1 person per square kilometer--the bulk of these areas are desert, high mountains or barren saline-alkali soil. They have an arid, cold climate with little rainfall. They lack substantial acreages of forest and vegetation as well as sources of water. Hence they can support only a limited number of people, which means that population control is an urgent task there.

In this writer's opinion, the published literature shows that although there has been a conceptual breakthrough in ethnodemographic research, the methodology is still plagued with a problem. This problem is simply limited to applying demographic methods while neglecting the ethnological angle. This tendency is primarily evident in the neglect of research on the original social formation of minority nationalities, in the lack of research on their economies and modes of production and in the lack of research on their marital and other customs and habits and even on their religious beliefs. For example, as far as culture, customs and habits are concerned, we must do in-depth studies of the extent to which religion has influenced and still influences changes in minority nationality populations; of the past and present influence of marriage patterns or birthrates and physical quality; of the function of family structures of all kinds in the population phenomenon; and of the influence of the feudal idea of male superiority, customs favoring females over males and other customs on population growth. The minority nationalities' population phenomenon is conditioned by social formation, culture and mentality. Only by using demographic and ethnological methods at the same time can we researchers make further breakthroughs.

2. Ethnodemographic Research in the Light of Every Kind of Social Formation

Marxism holds that the social mode of production determines demographic laws. The study of the demographic laws of minority nationalities requires us to begin with their modes of production, which indeed must be investigated within the context of the contradictory movements among the productive forces, the relations of production, the economic base and the superstructure.

Just after the founding of the People's Republic, China had a minority nationality population of more than 36 million. Approximately 4 million of those people lived in feudal serf societies, about 4 million lived in slave societies and more than 6 million still lived in the late stages of primitive society or retained pronounced vestiges of the primitive commune system. As is the case with these social formations, their economies still were characterized by gathering, fishing, hunting, nomadism and slash-and-burn agriculture; there were also many kinds of religious beliefs, as well as customs and habits. Although some of these minority nationality areas made a direct transition to socialist society while others arrived there through democratic reform, socialist transformation and socialist construction, all the leftovers from the old socioeconomic formations and the interrelated customs and habits still influenced the development of their populations.

Before liberation in the north, the Oroqen and some of the Ewenki lived in patriarchal clan communes and regional communes (or rural communes) characteristic of the late stages of primitive commune society. In Yunnan, this was the case with the Drung, Nu, Lisu, Wa, Benglong, Jingpo, Lahu, Kucong, Blang, Achang, Naxi and Jinuo; in Tibet with the Deng and Lhoba; on Hainan with the Li; and on Taiwan with the Gaoshan. As for their economies, the northern minority nationalities were primarily primitive wandering hunters, fishermen and nomads. In the south, the minority nationalities mainly engaged in primitive slash-and-burn agriculture, and to varying degrees retained the characteristics of clan communes or the disintegrating stages thereof. For example, the tribes of wandering Ewenki hunters in the north more or less completely retained the basic production and way of life of the patriarchal clan commune's communist system. Among these Ewenki, all of the members of the clan communes, which were based on ties of blood, practiced the principles of common production and equal distribution. (Footnote 1) (Lü Guangtian [0172 0342 1131]: "Primitive Social Formations Among Northern Nationalities," Ningxia People's Publishing House, 1981, pp 9-10). The social development of the Oroqen, on the other hand, had already reached the end of the primitive society and entered the stage of regional communes. The system of ownership was both public and private. Because of the considerable consolidation of the system of private ownership, phenomena like inequality in property and exploitation in the use of horse had already appeared. The Oroqen stood on the threshold of class society but had yet to complete this major historical transformation. (Footnote 2) (Ibid.). The population phenomena of the Oroqen and some of the Ewenki deserve study. For example, the Oroqen are one of China's smallest minority nationalities. Before they settled down in 1953, their population growth was little short of stagnant for a very long historical period. They belonged to the population reproduction category known as primitive, i.e., high birthrate, high mortality rate and negligible growth. This is a population phenomenon worthy of study. Quite a few researchers have taken note of this matter and attempted to explain it. Some comrades believe that the historical roots of this population phenomenon lie above all in the Oroqen's long period of production based on hunting, when life had no guarantees and their way of life was also extremely simple. At that time the Oroqen suffered political oppression and discrimination. Second of all, during the existence of the Japanese puppet state Manchukuo, the Japanese aggressors not only did not allow them to develop economically and culturally but also encouraged them to use drugs, thus doing serious damage to the Oroqen spiritually and physically. (Footnote 3) (Lin Shengzhong [2651

4141 0022]: "The Present State of the Oroqen Population in Heihe Prefecture and the Reasons for its Slow Growth," "Demography," 1984, issue 1). Other comrades have exposed the Japanese aggressors' massive spread of the germs of bubonic plague, typhoid fever and other diseases in Nei Monggol during those years, which claimed many Oroqen lives. Both these explanations are well-grounded and credible. Nevertheless, it must still be noted that the Oroqen were primarily a hunting people whose pre-liberation social development was still in the late stages of primitive society. Given the rather special nature of this nationality, it is perhaps inadequate to use only the medthods of general demography when studying its population. We believe that ethnological methods must also be applied in order to enable the discussion to be thorough. For example, let us do more in-depth research on the influence exerted on population growth by this nationality's marriage patterns, child-bearing system and way of life that is based on a primitive hunting society.

This writer believes four things. First, the Greater and Lesser Hinggan Mountains are one of China's backyards. In their stretches of several thousands of li of primeval forest has lived generation after generation of Oroqen and some Ewenki, with both groups being mainly wandering hunters. Before liberation, they used horses and reindeer to pursue and capture wild game in the immense forest throughout the year. Given their life of migratory hunting, their productive forces were extremely weak and the wild game limited in number. Hence life lacked guarantees. This backward mode of production naturally determined that their populations could not grow too fast.

Second, the primitive hunting economy determined that the Oroqen and some of the Ewenki would have a primitive type of population reproduction, i.e., one with a high birthrate, high mortality rate and low growth rate. Since these Oroqen and Ewenki were primarily meat-eaters, their child-bearing ability was fairly strong. Their women's lifetime child-bearing rates far exceeded those of women in ordinary agricultural and pastoral areas. For example, in the Qiganxiang area of the Ergun Left Banner in Nei Monggol, the hunter Piaodeer [4384 1795 1422] and his wife had 12 children, as did the hunter Yinakenqi [0181 6719 5146 3049] and his wife. The Dabayue [1129 0360 2588] had 10 members. Although these Oroqen and Ewenki had such high birthrates, the hardship of their lives of migratory hunting and epidemic disease both ensured high mortality rates. In the past, these nationalities lived in extremely simple and crude tents known as "immortals' columns." Before a woman gave birth, custom required that another tent be put up. This tent could hold only one person. It was called "jiuhahan," i.e., delivery room. Even during raging snowstorms in the dead of winter, the lying-in woman had to give birth there. Hence mother and newborn child often died of exposure and starvation. Moreover, once disease came to the primeval forest, it spread exceedingly fast. The Oroqen constantly suffered from surprise attacks of smallpox, cholera, typhoid fever and pulmonary tuberculosis that claimed many lives. By the time it reached 3 generations, the 1st family mentioned above had 27 members, but 11 of them died for a mortality rate of 40.7 percent. In the 3d family, 9 out of the 10 died for a mortality rate of 90 percent. (Footnote 1) ("Fifth Report of Findings on the Ewenki," Investigative Group for Minority Nationality Social History in Nei Monggol, p 34). Their entire tribe had more than 700 members in the 18th century, 435 in 1899, 315 in 1917, 170 in 1945, 140 in 1954, 141 in 1955, 138 in 1956 and 136 in 1957. Hence their numbers were always on a downward trend. Because the party and the government set up special medical establishments for them after 1957, their numbers had risen to 146 in 1960. (Footnote 1) (Survey done by this writer in 1957-8). During the 22 years from 1960 to 1982, the tribe gained only 40 members for an average annual increase of under 2 persons.

There is one other circumstance that affects population growth. Each clan or regional commune of a nationality of wandering hunters had regular hunting grounds. Because of the limited numbers of wild game, however, chasing wild game into others' hunting grounds often led to armed conflict. This also affected population growth.

Third, in order to investigate a nationality's population growth, we should also investigate that nationality's marriage patterns. The Oroqen and Ewenki marry outside the clan, but youth of marriageable age often could not marry. This was above all because of high mortality rates. At times even an entire clan commune became extinct. This brought about a sharp reduction in the number of clans among which marriage relations could be established, and so many youth of marriageable age had no spouses. Population growth was obviously affected. Moreover, because a clan had a "relationship of revenge" with another clan with which it could have had a relationship of marriage, the number of single males and females increased. Figures from a 1956 study of a 32-household Ewenki tribe show how severe the shortage of potential spouses for youth was: of the tribe's men who were 20 years old or older, 16 were single. Those 16 constituted 45 percent of the tribe's males. Of the tribe's women who were 20 years old or older, 14 had yet to marry. Those 14 accounted for 37 percent of the tribe's females. What is more, 9 households (i.e., 28 percent of the tribe's households) had no married adult males and females. In addition, the mode of production of wandering hunting perforce meant perennial roaming in the forest. Each clan commune was 100 to 200 li away from its nearest neighbor. Regular meetings took place only twice or three times a year. Such little contact placed extreme restrictions on intermarriage and having children.

Fourth, because hunters always have difficult production and living conditions, the Oroqen and Ewenki hunters commonly contracted pulmonary tuberculosis, which made for poor population quality. A 1956 general survey revealed that 86 (or 57 percent of the population) of 138 wandering Ewenki hunters had tuberculosis. In the Oroqen areas, about half the population had that disease.

Since the 1960's, the Oroqen and some Ewenki have begun the transition from the primitive type of population reproduction to the second type, which is characterized by a high birthrate, a low mortality rate and a high growth rate. Nevertheless, the leftovers from the old primitive socioeconomic formation still play a negative role.

One after another, the Oroqen and Ewenki left their wandering hunting behind and settled down in 1953, 1958 and 1965. Some researchers have made these remarks about the effect of such a change in life style on population growth:

1. Since they settled down, the state has spent several hundred thousand yuan to build a four-room brick house for every family and to set up medical establishments in the new housing developments. Hence living conditions have improved substantially. On the other hand, because the hunters were used to the fresh air of the forest, the incidence of pulmonary tuberculosis increased again after they moved into villages and small towns with polluted air. A medical census of 1982 in Baiyinna Township in Heihe Prefecture showed that 60 of the 153 Oroqen examined had tuberculosis. There were 246 Oroqen in the township at that time. (Footnote 1) (Lin Shengzhong: "The Present State of the Oroqen Population in Heihe Prefecture and the Reasons for its Slow Growth," "Demography," 1984, issue 1).

2. Because the Ewenki and Oroqen had long lived in the forest with its cold climate, they had long ago grown accustomed to excessive drinking. After settling down, they found it convenient to buy alcohol. Thus their excessive drinking became worse. As a result, population growth was affected.

First of all, excessive drinking affects the infant survival rate. Both sexes among the Ewenki and Oroqen drink too much. Alcohol consumed by pregnant women irritates their fetuses and prevents the normal growth thereof. Moreover, the babies cannot survive after birth. Hence infant mortality is rather high. In 1982, a survey of 187 women showed that after their peoples settled down, 186 of the 730 babies born to them died. This mortality rate was 25.4 percent. (Footnote 2) (Ibid.).

Second of all, heavy drinking causes family quarrels, more criminal cases and more cases of alcohol poisoning. All this leads to an abnormal increase in the number of deaths. The hunters all have guns. When they lose control after drinking, they often kill with them.

The chart on the next page consists of statistics on births and deaths among the Oroqen of the area of the Greater Hinggan Mountains during 1980-2. It shows that during those years, there were 15 births and 46 deaths, with at least 24 of the latter being abnormal (death by gunshot, hacking or poison or suicide by hanging). In this area, then, the Oroqen registered negative population growth. (Footnote 3) (Ma Yuqian [7456 5038 0578]: "The Oroqen of the Greater Hinggan Mountain Area," (mimeograph), August 1982).

Another example of abnormal death is to be found among the Ewenki of the Ergun Left Banner. There were 186 persons in the banner in 1982. After the Ewenki settled down in 1965, 5 persons drank too much and were beaten to death; 2 killed themselves after drinking too much; and 13 children died young because their mothers drank too much during pregnancy. In addition, eight persons are in prison for murder because they beat their victims to death after drinking too much. The banner had 143 Ewenki in 1960 and 186 in 1982. During those 22 years their numbers only increased by 43.

From all this we can tell that old customs and habits have had a major effect on population growth among minority nationalities.

Births and Deaths Among the Oroqen of the Greater Hinggan Mountain Region in 1980-2

Year	Births	Deaths		
		Total	Normal Deaths	Abnormal Deaths
1980	5	20	11	9
1981	7	13	6	7
1982	3	13	5	8
Totals	15	46	22	24

Here is another thing worth noting. Since the Oroqen and Ewenki hunters settled down, many new changes have occurred among them in such areas as marriage and population because they have begun to inhabit areas together with the Han. As an example, let us take the Oroqen settlements in Heihe Prefecture. The Oroqen make up 22 percent of the population in Xin'e Village, while the Han make up 78 percent. For Xinxing Village the corresponding figures are 14.5 percent and 85.5 percent and for Xinsheng Village 21.6 percent and 78.4 percent. (Footnote 1) (Lin Shengzhong: "The Present State of the Oroqen Population in Heihe Prefecture and the Reasons for its Slow Growth," "Demography," 1984, issue 1). We can tell that the Han population in these settlements predominates. This has a great affect on the economic and cultural lives of the Oroqen and Ewenki, as well as on their families and marriages. Foremost is the change in the area of marriage. Originally, half of the young Ewenki men and women could not marry. After their people settled down, 40 young men and women married either Han youth or youth of other nationalities. The newlyweds included 24 women and 16 men. Their 43 children definitely constitute the next generation of Ewenki. (Footnote 2) (Ibid.). Since the Oroqen and Ewenki settled down, their intermarriage with the Han has strengthened them and enabled them to increase their own population. This is undoubtedly beneficial to their social development.

The aforementioned population phenomena among the Oroqen and Ewenki constitute a model for the population phenomena occurring among northern China's nationalities of wandering hunters with relatively small populations. These nationalities are in the process of changing from primitive to socialist society.

South China has more than 10 nationalities with primitive social formations. They basically continue to use the primitive farming methods of "slash-and-burn" and rotating cultivation. Their productive forces are exceedingly weak. This type of primitive agriculture differs from the hunting in the north in that it relies primarily on increasing the labor force in order to increase production. A larger labor force means greater income. Thus there is a more urgent demand for a bigger population than among the hunters. The southern nationalities' marriage customs, however, have seriously affected population growth, even with calamitous consequences. Not so long ago, for example, nationalities like the Jinuo, Nu and Lisu still were primitive in that they married within the clan or the family and in that they had such vestiges as consanguineous marriage and communal marriage. Marriage between close relatives was even more common. Hence quite a few children suffered from congenital hypoplasia or physical degeneration. Some carried every kind of congenital and hereditary illness. As far as both physical strength and intelligence were concerned, these nationalities' populations were far inferior to those of advanced areas. "The Harm of Marriage Between Close Relatives as Seen in an Investigation of the Jinuo," an article by Du Yuting [2629 3768 0080] and Ruan Fangfu [7086 5364 6346], is representative of research on this problem. (Footnote 1) ("Population and Economy," 1981, issue 5). It illustrates the effect of Jinuo marriage patterns on population. There are more than 10,000 Jinuo, who are gathered in Jinuo Luoke Commune, Jinghong County in Yunnan's Xishuangbanna. At the time of liberation, they were in the late rural commune stage of primitive society. They still had vestiges like consanguineous marriage within the clan. For example, until the 1950's Baduo Village in the hinterland of Jinuo Luoke Commune was a consanguineous hamlet and, moreover, had only one clan. The prevailing custom was marriage between persons who were a generation apart; marriage between brothers and sisters was not customary. The hamlet's population never flourished. According to the recollections of septuagenerians and octogenerians, the clan had only 13 families and 80 members in its heyday. An 84-year-old woman of Baduo Village married a blood relative from her own clan. They had five children, the first three of whom died before the age of one. Their fourth and fifth children also died young. Marriages between close relatives have had catastrophic consequences for Jinuo population growth. The Jinuo had 36 more than 240 years ago; only a few remained on the eve of liberation. For example, long ago Shaoniu Village had an upper part and a lower part. Later, all that remained of the upper part was an empty foundation of a house; the last two residents had moved away. The danger of consanguineous marriage was the striking element in the disappearance of the upper part. The authors point out that the transition from marriage between close relatives to marriage outside the clan is long and hard. Some clans have now got rid of marriage between close relatives. Baya Village, for example, has forbidden marriage within the clan on pain of death. Some villages, however, stubbornly retain vestiges of that kind of marriage. Although that kind of marriage is forbidden in Yanuo Village, there is an accommodation: if two blood relatives from the same clan love each other and want to marry, the woman need only hold a ceremony wherein she recognizes an elder from another clan as her nominal father. In this convenient fashion she can gain customary approval of her marriage.

The custom of marriage between close relatives among the Nu and some of the Lisu resembles that among the Jinuo. "An Investigative Report on the Social History of the Nu" and "Yunnan's Minority Nationalities" are two books that provide us with valuable material on this area. Marriage among the Nu and Lisu is primarily single marriage, and no one may marry his or her father, mother, son, daughter, brother or sister. On the other hand, anyone may marry his or her paternal cousin or second cousin of the same surname. Moreover, persons from different generations, i.e., aunts and nephews and uncles and nieces who are related by blood--may marry. Furthermore, their system of transferring homes allows a man to marry his widowed daughter-in-law or his late father's concubine. Even more common is marriage between maternal cousins. According to a 1956 survey of 36 Nu households in Mujia Village in Fugong County, 5 persons had married paternal cousins, 2 had married maternal cousins and 5 had married members of another generation. A survey of 38 married couples in Jiajia Village in Bijiang County showed that 15 (39.5 percent) were outside the clan, while 23 (60.5 percent) were within the clan. (Footnote 1) ("Investigative Report on the Social History of the Nu," "Five Collections on Nationality Issues," Yunnan Provincial Editorial Committee, Yunnan People's Publishing House, 1981, p. 71). Marriage between close relatives has an extreme effect on the next generation, which has more than its share of mental retardation, deformities, hemophilia and other congenital defects. It obviously affects population quality. (Footnote 2) ("Yunnan's Minority Nationalities," edited by the Institute of History of the Yunnan Provincial Academy of Social Sciences, Yunnan People's Publishing House, 1980, pp 101, 102, 114). Thus population growth in some Lisu and Nu areas is fairly slow, and population quality awaits improvement.

The study of population phenomena among nationalities that had primitive societies beforeliberation has more than just theoretical significance. It is also of major practical significance. Because these phenomena occurred in primitive societies in which we can still search for their traces even today, it is obviously worthwhile to study them demographically, historically, ethnologically and sociologically. At the same time, such study has provided an important theoretical basis for our formulation of population policy. In addition, we can also see that it is precisely because of our application of both demographic and ethnological methods that we have the aforementioned knowledge of the population phenomena among these nationalities. It would be hard to imagine if we were to abandon ethnological methods and look forward to getting the aforementioned knowledge. This may serve as an excellent example to support the previously stated viewpoint on the methodology of ethnodemographic research.

Before democratic reform, the Yi of Sichuan, Yunnan and Big and Little Liang Mountains still lived in a more or less completely slave society. Comrade Xu Ming [1776 6900], in his article entitled "Demographic Study of the Slave Society of the Yi of the Liang Mountains" (published in "Studies of Guizhou's Nationalities," 1984, issue 3), makes the following points:

(1) Natural agriculture controlled the slave society of the Yi of the Liang Mountains, and its productive forces were weak. Hence the development of agricultural production and animal husbandry depended primarily on the growth of the laboring population.

(2) The society of the Yi of the Big and Little Liang Mountains was rigidly divided into four classes: the nuohuo, qunuo, ajia and xiaxi. The nuhuo was was the ruling class; the others were the ruled. The nuho made up 7 percent of the population, the qunuo 55 percent, the ajia 30 percent and the xiaxi 8 percent.

(3) The xiaxi, ajia and qunuo slaves who did corvee labor for their nuohuo owners frequently worked in a group of 20 to 30 on a piece of land under the supervision of a manager hired by the owners. The slaves had no interest in this kind of compulsory labor and often were slack in their work. Naturally their efficiency was low. Thus the slaveholders needed to increase the labor force in order to increase their income. First, they required the qunuo, ajia and xiaxi to marry early and have many children so as to shorten the reproductive cycle and to increase the labor force as much as possible. Second, to shorten as much as possible the time spent by lower-class children as consumers, the upper class did its best to make them take part in production early on (in general the children began engaging in agricultural production at about the age of 10). The amount of income for ajia and qunuo households, moreover, depended on the size and physical strength of their labor forces, so they too hoped for large families. In sum, the desire of both the slaveholding class and the ruled strata for population growth reflected the slave system's demand for a large increase of the population. On the other hand, the specific content of each class' demand for a bigger population in the Liang Mountains varied:

Nuohuo. Because the Nuohuo (the slaveholders) married their own kind, 30 percent of their marriages were between maternal cousins. Thanks to such a high rate of marriage between close relatives, the infant mortality rate was 60 percent. On top of that, armed feuds within the ruling class claimed many men's lives. Hence the Nuohuo had a high mortality rate as a class. Although Nuohuo women married young, they did not stay long in their husbands' households, generally moving in only at about age 30. By then they had lost many of their childbearing years, and their lifetime fertility rates were low as a result. All this led to negative population growth among the Nuhuo. Hence they urgently required an increase in their numbers lest they lose their position as the ruling class.

Qunuo. Because the slaveholders had the right to terminate the employment of the Qunuo (the class attached to the ruling class), Qunuo families did their utmost to have more children in order to avoid unemployment. Qunuo women spent a short time away from their husbands' households, and so their lifetime fertility rates exceeded those of Nuohuo women.

Ajia. The Ajia were the slaves who lived beside the slaveholders' house property. They had little property of their own. This made them hope for man many children so as to increase their labor force, grow rich and rise to Qunuo status. An Ajia had a wide range of possible spouses, and Ajia women spent an extremely short time away from their husbands' households. Hence the women had a long childbearing period and lifetime fertility rates higher than those of either the Nuohuo or the Qunuo.

In addition, the slaveholders sought to replenish the labor force by converting their personal slaves (the Xiaxi) into household slaves. To this end they often encouraged male Xiaxi to marry and start working and even forced them to marry. The Nuohuo hoped for the birth of many "little slaves" whom they would exploit.

(4) Before democratic reform, an Yi woman averaged 6.5 children, with an average of 3.5 surviving. Hence there were 1.75 surviving children per parent. Within each class, the numbers varied because women began giving birth at different ages. For the Nuohuo, the figures were 5.7, 1.7 and 0.85; for the Qunuo, 6.2, 3.4 and 1.7; and for the Ajia, 7.6, 4.3 and 2.15. These data show that the slaves in the society of the Yi of the Liang Mountains belonged to the expanding model of population reproduction, while their masters belonged to the shrinking model.

Comrade Xu Ming's article uses the specific facts about the population of the slave society of the Liang Mountains to prove the groundlessness of the belief that Engels' theory of "two kinds of production" is applicable only to primitive societies. (Footnote 1) (See Yang Kun [2799 1024]: "On Marx's Formula of Historical Materialism and Engels' Theory of Two Kinds of Production," "Studies in Ethnology," volume 7). At the same time it proves that a certain mode of production always determines a certain marriage system and a certain set of population laws. In the slave society of the Liang Mountains, class relations determined marriage and family relations, while the needs of the slaveholders determined, in the main, the population laws of each class. This article, however, does not take care to apply ethnological methods to the study of the population of the Liang Mountains, and so in some places its discussion is incomplete.

"A Brief Analysis of the Yi Population of the Liang Mountains," an article by Cheng Xianmin [4453 6343 2404] in "Social Sciences in China," (Footnote 2) (See issue 2, 1984) is fairly representative of the research that is now using a combination of ethnological and demographic methods on the population of the Yi slave society of the Liang Mountains. The article probes this society's laws of population reproduction from the angles of social formation, families and their branches and classes, as well as from the angles of family and marriage. On this basis, it delves further into the present status and tendencies of the population changes of every Yi social group now that the Yi have entered the socialist historical stage. It also provides some tentative ideas on how to control the population of the Liang Mountains and on how to improve its quality.

(1) Beginning with the composition of the Yi soicety's population before democratic reform, Cheng Xianmin points out that the way in which the black Yi (the Nuohuo) divided up their control had a negative influence on Yi population growth. This took the primary form of countless armed feuds between families.

(2) Cheng also points out the stratification of the Yi slave society. Every class' attitude toward having children and its systems of marriage and family were unavoidably linked to that stratification in a close fashion. He diasgrees with the belief that the Yi society of the Liang Mountains had uniform marriage customs and a uniform attitude toward having children. Indeed, the author discusses each class' different attitude toward having children. He clearly indicates that the narrow limits on the black Yi's intermarriage and the late entry of wives into their husbands' households severely hindered the growth of that class.

(3) The author believes that in the slave system of the Liang Mountains, economics and politics, as well as the marriage and family systems suited thereto, have determined the regional and generational characteristics of the age composition of the Yi population. For example, the Yi society had fairly small numbers of juveniles and elderly but especially large numbers of young adults and adults in the prime of life. This was a reflection of high infant mortality, sickness and quick death among the elderly and a short average life-span among the population as a whole. It was also a product of the environment peculiar to a slave society. The author also discusses the specific characteristics of the age compositions of the black Yi and their personal slaves, the Xiaxi, as well as the relationship between those characteristics and the positions occupied by the two classes in the stratified slave society.

Combining demographic and ethnological methods, Cheng Xianmin analyzes population growth in the Liang Mountains before liberation. His work makes a methodological breakthrough in the current study of minority nationality populations.

Besides the two articles mentioned above, there is also an article by Wang Duanyu [3769 4551 3768] and Zhang Guangxian [1728 0342 7359] entitled "A Preliminary Analysis of the Growth of the Tibetan and Yi Populations in Sichuan." (Footnote 1) (See "Northwest Population," 1984, issue 1). Taking Meigu County in the Liang Mountains as an example, this article analyzes the population both before and after the establishment of the People's Republic. It contrasts the population of each class but focuses on the post-liberation situation. This sets it apart from the other two articles.

Before democratic reform, some of the regions inhabited by Tibetans, Dai, Uygurs, Moinba and Naxi still retained serfdom. Quite a few comrades have studied the populations of these regions, with the most prominent work having been done on the Tibetans.

Before the establishment of the People's Republic, the Tibetan population was continuously declining. During the Yongzheng reign of the Qing dynasty, it stood at about 2 million (Footnote 2) (Yahanzhang [3660 0698 4545]: "New Writings on the History of Tibet," p 195, Sichuan People's Publishing House) and declined to about 1.2 million by the early post-liberation period. This 200-year decline amounted to 40 percent, or an annual average decline of 0.25 percent. The Tibetan population only grew by 24.5 percent from 1953 to 1978, with a birthrate of merely 23 per 1,000 in 1980. Both the two-century decline and the slow growth over a quarter century deserve study. Quite a few conrades believe that these two phenomena were closely linked to serfdom, Lamaism and polyandry in Tibetan society.

Under serfdom, agriculture and animal husbandry were exceedingly backward in Tibetan areas. Tibet's ruling class, i.e., the three big suzerains (the local government, the nobility and the lamaseries) and its agents made up only five percent of the population but owned all the land and all the means of production. The serfs, who were their owners' personal appendages, made up 90 percent of the population. They obtained land from their owners, by necessity, by performing services for them and paying rent and taxes to them. The "chaiba" (those who performed services) and the "duiqiong" (poor families) were the primary components of the serf class. The "langsheng," who were slaves, made up the remaining five percent of the population.

In 1984 "Nationality Studies" published in its second issue an article by Wang Duanyu entitled "Lamaism and the Tibetan Population." The author had studied the profound influence of Lamaism on Tibetan population phenomena.

(1) Wang believes that the peculiar trends of the Tibetan population are the results of a combination of economic and many other elements. Particularly worthy of serious attention is the influence of religion on population.

(2) Before democratic reform, the clergy in every county of Sichuan's Garze Tibetan Autonomous Prefecture constituted 30 to 50 percent of the male population. Of these clergy, 60 percent belonged to the Gelu sect (Yellow Lamaism). Yellow Lamaism's strict prohibition against married monks created a severe surplus of unmarried women.

(3) Many Tibetans did not marry, and most of them left home to become monks (if a household had three sons, two had to become monks). Their female counterparts were called "Buddhist mothers" (nuns). Some women could stay at home and still be "Buddhist mothers."

(4) Because Lamaism propagated the idea that human life had eight sorrows, the chief one of which was human birth, the struggling serfs considered childbirth a sorrow and felt that having many children was a sin. This attitude played a major restraining role as far as Tibetan population growth was concerned.

(5) Because of the influence of Buddhist thinking, Tibetan males had an apathetic concept of the family. Some shirked the responsibility of raising children. Hence the women's burden grew heavier, and so women were unwilling to have many children. There are prescriptions for birth control in ancient Tibetan medical texts, as is reflected in the Tibetans' tradition of birth control.

(6) Lamaseries were a component of Tibetan serfdom. They amassed much of society's wealth but could not use it for production. Hence they both impeded economic development and restricted population growth.

(7) Lamaism restricts the Tibetans' population phenomena and population process, and the abnormal development of Lamaism has been the principal reason for the historically steady decline of the Tibetan population. Because Lamaism, its relgious concepts and its view on having children still exert a fairly strong influence on Tibetan society to this day, Tibetan population growth has remained exceedingly slow since democratic reform.

Wang Duanyu reasonably names Lamaist influence as the cause of the Tibetan population's decline and subsequent slow growth. Religion is a form of ideology. Lamaism has prevailed in Tibetan society for a millennium. It differs from Han religious phenomena, in that its wide range in Tibetan society and the degree to which the Tibetan masses profess it are conspicuous sociocultural phenomena. Some of its doctrines have formed a kind of psychological sediment that the Tibetans' cultural mentality has absorbed. Wang's article can study the Tibetans' population phenomena and population process from this angle, and so it is valuable methodologically. Its inadequacy lies in its near inability to discuss in greater depth these two questions: how different were the attitudes of each class under serfdom toward having children? What role did Lamaism play in the formation of these attitudes? How was the surplus of unmarried women reflected in each class? Moreover, he scarcely writes about marriage patterns--a major omission.

I believe that in addition to the influence of Lamaism, the peculiarity of the Tibetans' population reproduction model as determined by serfdom manifests itself in the polyandry practiced by the serfs. Both before and after democratic reform, this marriage pattern has been commonplace among the Tibetans.

Comrades Ren Zhenluose [0088 4176 3157 5331] and Song Enchang [1345 1869 1603] have investigated Tibetan polyandry fairly thoroughly. (Footnote 1) (Ren Zhenluose: "Polyandry Among Tibetans in the Kang Area," "Studies in Ethnology," volume 7, p 141; Song Enchang: "Remnants of Tibetan Communal Marriage," "Studies in Ethnology," volume 2). In their articles they first of all provide some statistics. In 1958 10 of the 141 households in Nangsecunxika, Zhanang County, Shannan Prefecture, Tibet were polyandrous. In 1982 an investigation revealed polyandrous households in Luhuo, Garzê, Sêrtar and Baiyu Counties in Garzê Tibetan Autonomous Prefecture. For example, 14 of 227 households in Laima Township in Garzê County were polyandrous, as were 31 of 133 in Shadui Township in Xinlong County. In Baiyu County, some cadres, workers and staff members belonged to polyandrous families.

Comrade Ren Zhenluose generalizes about the types of polyandry among the Tibetans in the Kang area as follows: (1) brothers sharing the same wife; (2) several friends sharing the same wife; (3) a monogamous woman with many "husbands" behind her legal husband's back; (4) an unmarried woman with many "husbands;" (5) a woman with many legal husbands; (6) father and son sharing the same wife. Such polyandry has an extremely unfavorable effect on population growth, because monogamy and polyandry are similar or equal in terms of reproductive ability. The prevalence of polyandry has affected the growth of the Tibetan population. The negative growth registered during 1953-64 was closely linked to both polyandry and the celibate lamas who accounted for a quarter of the population.

The distribution of polyandry among the social strata varies from place to place. Generally speaking, it is relatively more common among well-to-do and rich serf households and among small peasants with a certain amount of property. In some places, however, sons from one household share the same wife, even though their household is not well-to-do and lacks sufficient property to divide among them.

Wives in polyandrous households occupy a fairly high position. They control the finances, take part in production, tend to the children and hold the economic balance.

Comrades Ren and Song also explore in their articles the reasons for the existence of polyandry. In their opinion, it is the product of a serfdom established on a backward and low level of production. For example, if the family property and labor power of the chaiba were dispersed, the chaiba could not withstand the exploitation by their owners. Ren Zhenluose discusses this point in even greater detail: before democratic reform, the Tibetans of the Kang area bore the heavy burden of the corvee labor known as wula. If a family had one able-bodied man, he had to spend two-thirds of the year on outside corvee labor, which occupied the serfs' essential labor time and depleted the agricultural labor force. Those families with only one able-bodied man obviously were hard put adapting to the ruthless exploitation of serfdom, while polyandrous families could avoid the division of family and property among brothers. Families thus maintained had a certain amount of wealth and many able-bodied men. Hence this kind of marriage and family pattern resulted from adaptation to the cruel exploitation of serfdom. As was mentioned above, it was extremely unfavorable to population growth.

Under Tibetan serfdom, polyandry and the abnormally large number of clergy created a surplus of women among the serfs and langsheng. Overall sex ratios in many Tibetan areas show females outnumbering males. It must be said that this is yet another peculiarity of the Tibetan population, about which Zhao Xuedong [6392 1331 5516] and Wang Ke [3769 0344] wrote an article. (Footnote 2) (Zhao Xuedong and Wang Ke: "A Brief Discussion of Tibetan Sex Ratios," "Population and Economy," 1984, issue 1).

Since democratic reform, and especially since the 3d Plenum of the 11th CPC Central Committee, the Tibetan population has entered a stage of accelerated growth. Tibet had a population of 1,622,330 in 1979 and 1,786,544 in the 1st half of 1982. During those 3.5 years it grew by 163,614 for an average annual increase of 2.74 percent. Tibet's population reproduction model has basically changed from one with a low birthrate, a high death rate and negative growth to one with a high birthrate, a low death rate and high growth. (Footnote 3) (Ibid.).

Before liberation, most minority nationalities had a feudal landlord economy. Studies of their population phenomena all note their prominent feudal consciousness, their regarding of men as superior to women and their early marriage. For example, according to old Hui custom girls reached adulthood at age 9 and boys at age 13; hence there were fairly many early marriages. Although things are different now, rural girls still marry at the age of 15 or 16 and rural boys at the age of 16 or 17. In 1980 early and illicit marriages accounted for about half the marriages in Zhangjiachuan Hui Autonomous County in Gansu. In rural Ili Prefecture in Xinjiang, boys and girls generally marry at 15 or 16, and marriages at 18 are considered late. Wives are constantly having children, so that by age 30 they generally have borne 10 or more. Families generally have five or six or even eight or nine children. In Dehong Dai-Jingpo Autonomous Prefecture in Yunnan, a fair number of persons marry at age 14 or 15 or even 12 or 13. They are parents by age 15. The largest number of children per couple is 17. A family of six or seven children among the Jingpo is fairly common. (Footnote 1) (Zhou Qing [0719 3237] and Xiong Yu [3574 6735]: "Several Points About the Growth of China's Minority Nationality Population," "Population Studies," 1984, issue 2). Early marriage is also prevalent among the Lahu, whose girls marry at age 14 or 15. If Lahu girls have not married by age 18, they are called old maids and are ridiculed. The Zhuang, Jing and Mulam of Guangxi, the She of Guangdong and the Shui of Guizhou have similar marriage customs. Research on this matter indicates that these nationalities' early marriage and many children born too close to each other chronologically mean blind population growth, economic burdens for families, poverty, a low level of education and poor health for both adults and children.

Furthermore, the many nationalities with feudal societies believe that the children of one's sons are one's own posterity and that without sons, a man is the "last of his line." They strongly feel that males are superior to females and even have a rule that those who die without a male heir cannot be buried in the "ancestral cemetery." According to old Yi tradition in Ninglang County in Yunnan, only persons with a son were truly "human," while persons without a son were inferior and could not stand tall. Some researchers point out that these customs and ideas are extremely unfavorable to the practice of birth control. (Footnote 2) (Guo Dalie [6753 1129 3525]: "Old Traditions and Ideas Are the Crucial Reasons for the Fettering of Socioeconomic Development in Nationality Areas," "Social Sciences in Yunnan," 1983, issue 4).

3. Concluding Remarks

In sum, it can be seen that although the population phenomena of China's minority nationalities vary on the basis of each nationality's original society and economy and on the basis of each nationality's different culture and psychology, their population reproduction models have nevertheless changed. Before the establishment of the People's Republic, they essentially all belonged to the primitive model of population reproduction, i.e., high birthrate, high death rate and low growth rate. In the case of the Tibetans under serfdom, the birthrate was low, the death rate high and growth negative. Since the establishment of the People's Republic, and especially since democratic reform, the population model of each minority nationality has basically changed to one with a high birthrate, a low death rate and high growth. This kind of model also has the characteristic of a young population, which means peak population growth in the future. This needs our attention. Also noteworthy is the trend among minority nationalities like the Koreans, Bai, Dongxiang and (in some areas) Zhuang--that are practicing birth control fairly well--toward a model with a low birthrate, a low death rate and a low growth rate. (Footnote 3) (Zhang Tianlu: "Characteristics of and Changes in the Population Reproduction Models of China's Minority Nationalities," "Social Sciences in Yunnan," 1983, issue 4).

As far as the formulation and implementation of population policy concerned, demographic research on minority nationalities has also produced the following results that are valuable for reference:

(1) We must both pay attention to controlling minority nationality population growth and guard against arbitrary uniformity. On the basis of individual autonomous counties (banners) and in accordance with each nationality's socioeconomic development and population base, we must formulate a birth control policy suited to each area's specific circumstances. Some minority nationalities have rather large populations, rather high population densities and population scales and growth rates that have repressed or will repress their productive forces. On the one hand such nationalities must control their populations and in a planned way lower their birthrates and slow their growth rates. On the other hand they must take resolute economic measures to ensure the success of their population control policies and, moreover, to accelerate the pace of production of material goods so as to raise the people's living standard constantly.

Other minority nationalities have small populations, low population densities and rather backward economic development. These nationalities should adopt a policy of appropriate population growth. We should also help them develop their economy, education and health care so that their economies and populations can grow at the same time. For example, the Oroqen have a population of only 4,200 and hence are proper candidates for such a policy. Among the Oroqen of Heihe Prefecture, however, birth control has already begun, and each family has an average of 2.2 children. (Footnote 1) (Lin Shengzhong: "The Present State of the Oroqen Population in Heihe Prefecture and the Reasons for its Slow Growth," "Demography," 1984, issue 1). Such premature practice of birth control deserves discussion.

(2) When studying the issue of minority nationality population from an ethnological angle, we should also point out some minority nationality social systems, customs and habits that favor the practice of birth control. For example, the society of the mountain Yao (i.e., the Chashan Yao, the Hualan Yao and the Ao Yao) in Guangxi has a tradition of birth control. Their household composition is generally "two, two, two," which means that a couple has two children who support a pair of elderly persons. Each family designates only one child, male or female, as heir and marries off its daughter (or sends its married son to live in his bride's household). This is called "giving the inheritance to one child." The mountain Yao headmen say: "We have little farmland in the mountains. If we had many people, our supply of rice would be inadequate. You notice we have neither beggars nor robbers here." This is their simple recognition of the dialectical relationship between the production of material goods and human reproduction. This part of the Yao nationality has a special method of using Chinese herbal medicine to discontinue pregnancy. Their annual population growth rate has always stayed at approximately 8.3 per 1,000. (Footnote 2) (Liu Yulian [0491 3768 5571] (a Yao): "A Brief Discussion of the Issue of Having Children Among the Chashan Yao, the Hualan Yao and the Ao Yao" (mimeograph), paper read at Third Symposium of the Chinese Ethnology Society).

Furthermore, quite a few of China's minority nationalities do not believe that males are superior to females but instead believe that it is immaterial whether one has a son or a daughter. Among them there is even the customary belief that it is more gratifying to have a daughter. For example, male and female occupy equal positions in the household among the Dai, Tibetans, some Naxi, Qiang, Lahu, Zhuang and Dong. Among some nationalities both males and females enjoy the right to inherit property. The Lahu esteem girls so much that the birth of a daughter pleases them more than the birth of a son. In the areas inhabited by these nationalities, the prevalent custom is for a husband to live in his wife's household or for a family to marry off its sons and keep its daughters. It is the duty of husbands who live in their wives' households to support their parents-in-law; in those households they are looked upon as the real sons of their parents-in-law. This custom basically solves the problem of taking care of the elderly and effectively controls population and reduces the number of unnecessary children (borne in an effort to produce sons). It should receive vigorous publicity and promotion. (Footnote 1) (Yang Heshu [2799 7729 2579 et al.: "Investigation and Analysis of the Population Question in Longsheng Multinational Autonomous County in Guangxi," "Studies in Ethnology," volume 5).

(3) The customs of the minority nationalities include many village compacts and stele systems. The Dong and Yao used to have a common law of "sincere agreements," as well as regulations concerning production, marital agreements, debt, defense and arrest. All the minority nationalities have the virtue of keeping their promises: once they conclude an agreement, they can abide by it scrupulously. We can utilize their sincere agreements to conclude pacts on birth control. In Guangxi's Longsheng County, for example, this method has obtained fairly good results. (Footnote 2) (Ibid.).

(4) In minority nationality areas where religious influence is still rather strong, we should unite with the religious leadership to help publicize birth control work. Practice proves that unity with that leadership encourages them to promote birth control among the masses of believers, which is often more effective than general propaganda. For example, in 1981 in the Hui areas of Jingyuan County in Ningxia, there was unity with the imams in birth control work, whose results were thus fairly good. (Footnote 3) (Tian Guang [3944 1639]: "Investigation of the Hui Population of Jingyuan County, Ningxia" (mimeograph), paper read at Second Symposium of the Chinese Ethnology Society).

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POPULATION

RAPID DECLINE IN CHINESE FERTILITY EXPLAINED

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[Article by Wu Cangping [6762 3318 5493], of the Demography Institute, China People's University. Paper presented at the Fourth National Conference on Demographic Science: "Theoretical Explanation for the Rapid Decline of Chinese Fertility"]

[Text] The decline in Chinese fertility has been known throughout the world since the 1982 general census of the Chinese population. The 1/1000th national fertility sampling survey reported that the overall fertility is 2.6. According to the latest figures from the National Statistical Bureau the 1984 birthrate was 1.7 percent and the overall fertility was 1.84. (Footnote 1) (Health News, Family Planning Edition, 12 November 1985) This achievement by a still economically and culturally undeveloped socialist country in bringing its fertility down to the replacement level attracted worldwide attention and praise. Many foreign friends call this one of the great marvels of human history. Yet in recent years some people who bear enmity for the Chinese people or, who because of prejudice, have greater knowledge than they have understanding of China's population problem have bitterly criticized this reduction in China's fertility. They claim that the decline in China's fertility was achieved through coercive policies. Thus scientific discussion of the causes of the rapid decline in Chinese fertility is not just an academic question but one of practical significance as well.

I. The Socialist System Created Favorable Social Conditions for the Rapid Decline in Our Country's Fertility

The most fundamental reason for the decline in fertility is economic development. If a certain degree of economic development is not achieved, there can be no decline in fertility. Our country's process of industrialization and urbanization brought the influence of the modern mode of production and modern lifestyles to every family and every individual and freed them from the shackles of the traditional family. They sought to improve the quality of their children, improve the quality of their lives and thus tended to reduce fertility voluntarily. Although the economy operates on the macroscopic scale, decisions on fertility are made by individuals and families on the microscopic level. Thus the effect of the macroeconomy on fertility is not direct and nor is it always immediate. Economic development must work through socioeconomic factors influencing the family and the individual which induce couples to change their views on fertility before it can eventually influence reproductive behavior.

The experience of developed countries and of developing countries demonstrates that once socioeconomic factors which determine fertility, such as changes in the function of the family, decline in mortality and especially in infant mortality, an improvement in educational standards, improvement in the status of women and particularly improvement in the employment opportunities for women, social guarantees for the elderly, yearning for the modern mode of production and a modern life-style, a family planning policy and the dissemination of birth control information to many people occur, they will lead to a decline in fertility. The earlier these conditions appear and the more of these conditions that appear, the faster will be the decline in fertility. Our country is a developing socialist country. Although our country is making great economic progress it is far from being a modern country. The social conditions that brought about the decline in our country's fertility are due in large part to our country's socialist system, public ownership of the means of production, and the planning of the national economy. Furthermore the distribution of wealth is fairer in our country; there are no great extremes of wealth and poverty; far-reaching social reforms have been made in every area; and the present development of science and technology has made the social conditions which promote the change in fertility appear earlier and faster in China than they did in the past in the developed countries or are appearing in developing countries today. I will try to explain several of the aspects of these changes listed below.

A. Change in the Function of the Family and Traditional Concepts: The view that people should have many children arose from the traditional feudal family. Although the feudal view that the more children the better has long been held in China, since new China was founded the social basis of this feudal view that having many children is better has been shaken to its foundation through many different democratic reforms. Although throughout history the family has been the unit of production, since land reform and the collectivization of the means of production this has greatly changed. The educational function is no longer the responsibility of the family but has become the responsibility of the state and the collectivity. The principle of distributing according to one's labor has greatly changed the relations of family members and relations between families. Small families have the chance to develop. Under socialism changing the functions of the family and traditional family concepts does not necessarily require a high degree of modernization. Relying on social reform to accomplish these tasks is entirely possible.

B. Popularize Education To Raise the Educational Level of the Entire Population and Foster Education in Collectivism: The popularization of education and in particular the popularization of education among women is an important cause of the rapid decline in fertility. The 1982 general census of the population and the 1/1000 fertility sampling survey of the entire country shows that women with a lower middle or a middle school education or better have on average 0.5 to 1 and 0.8 to 1.2 fewer infants. Although today China does not have a high average level of education, the number of primary and middle school students attending school has increased from several times to several tens of times. In 1949, there were only 1,268,000 middle school students attending school. In 1983 there were 56.78 million, an increase of 45 times. The number of primary school students increased from 24.39 million to 150 million an increase of 6.2 times. The fertile age cohorts of the 1970's were mostly educated during the 1950's. This necessarily caused the birth rate to decline. Under China's socialist system every level of education is free and education is supported and run by the state. Education is sometimes run by collectives or by localities as well. In China's circumstances it is not necessary to develop production and modernization to a high degree to popularize primary, lower middle and middle school education.

The problem of family size often reflects contradictions in the individual, the family, and the state. Chinese education, in line with socialist principles, lays great stress on education in collectivism. For a long time it has been educating the people in the interests of the collective and in the long-range interests of the country. Moreover it has fostered education in the rule of law, in communist morality, and has developed spiritual culture. This education which China has been carrying out for 30 years has, of course, considerably aided the decline in fertility. This is something the West cannot do and cannot easily understand.

C. Raising the Status of Women: Improvement in the status of women has made them realize that they are not just a machine for giving birth to and educating children. This is an important reason for the decline in fertility. Our country's popularization of education among women by expanding employment opportunities for women is another important condition for the decline in fertility. Since the founding of new China the improvement in the status of women on many fronts has surpassed that in many developed countries which have had movements for the emancipation of women for 100 or 200 years. Chinese women are not only the equals of men before the law in every area, such as government, education, and employment, but are also asking that they may gradually become the true equals of men. The 1982 general census of the population shows that Chinese women have a higher employment rate than any country in the world. Throughout the world employed women have, as a rule, lower fertility than housewives. China's social policy guarantees the equality of educational and employment opportunity for men and women.

D. Decline in the Death Rate: A decline in the death rate, and in particular a decline in infant mortality, is a necessary precondition for a decline in fertility. Historically, spontaneous declines in human fertility have been preceded by declines in the death rate. When the death rate is high, the survival rate of children is very low. Without high fertility these losses could not be made up. Once the death rate declines and the survival rate of children rises, many different factors will lead a family to spontaneously limit family size. If families are too large, people will feel it is difficult to support them, improve the quality of their lives, and for their children to get better employment. The decline in China's death rate since liberation is among the fastest in the world. Infant mortality fell from 20 percent at liberation to 3.5 percent in 1981 while life expectancy climbed from 35 to 68 years. The principal reason for the decline in China's death rate is the concern of our country's government for the health of the people and its development of health facilities. Prevention is the main policy. In the cities and in the countryside new methods of midwifery and of protecting the health of mother and child were popularized. Rural medicine and health were stressed. Moreover China adopted many different medical systems for medical care including payment by the state, and free and reduced fees for services. The best results and measures of medical science achieved anywhere in the world were adopted. To lower its death rate and still achieve excellent results, China does not need to spend the enormous sums on health care that Western countries do.

E. Provide a Certain Degree of Social Guarantees for the Elderly: In economically undeveloped countries raising children for security in old age is an important reason why families want to have many children or a boy. However, since new China was founded a retirement system has been established for staff and workers and labor insurance created for the workers. Although the villages have no social insurance system, collectivities have taken on the responsibility of supporting and helping the elderly and according to their economic level implement to differing degrees the "Five Guarantees" [childless and inform persons are guaranteed food, clothing, medical care, housing and burial expenses]. Several villages which are better off economically have begun a retirement system. Moreover the state and society help childless elderly people who have no one to depend on for support. The constitution clearly stipulates that "Citizens who are elderly, sick, or have lost the capacity to work have the right to material help from the state or from society." Although China is not a developed country, the people have already seen that sharing the wealth is the fundamental principle of a socialist system and accordingly are convinced that as the economy develops the elderly will enjoy social guarantees late in their lives. This to a certain extent weakens the idea of having children to provide for one's old age which is a great obstacle to reducing fertility.

F. China's Social Organization and Dissemination of Various Kinds of Information Accelerated the Exchange and Development of Birth Control Information and Methods: During the 19th century and the early part of the 20th century birth control depended principally on the communication of birth control experience from one person to another. In general, the modernization of communications has accelerated this process. China has special advantages in communicating birth control information. One is that public ownership of the means of production has made the social organization of China sound. China's household registration, food rationing, and many other institutions all require administration by different kinds of residential committees and grassroots organizations. The second is that since the founding of new China communications and transportation networks have spread everywhere. The third is that China accumulated thorough knowledge of organizing at the grassroots during the long revolutionary war. Thus, although televisions and telephones are not common in China's cities and rural areas and there are still illiterates, practically every corner of the country has mail and telephone service as well as wireless and wired closed-circuit broadcasts so that important information reaches everyone very quickly. The penetration of important information is even greater than in some countries with the most modern advanced means of communication.

Our country's social environment in many direct and indirect ways influences families and individuals and thus affects their reproductive behavior. This is shown in two principal ways: 1) changes in views on reproduction. Under the new social conditions the older generation no longer holds strongly the view that more children are better and the younger generation thinks that having many children is an odious and backward idea and leans toward smaller families. 2) The social environment has cleared a large way for smooth progress in China's family planning. For the last 30 years China has had social conditions appropriate for a decline in fertility. This process continues today. Likewise, declines in fertility did not appear at once. These declines are rather the result of ideas gradually and inconspicuously penetrating the age coherts of reproductive age under China's special social conditions and bringing about a gradual change in their views on reproduction.

The significance of social conditions favoring declines in fertility shows us that we must create even better social conditions in order to consolidate the downward trend in fertility. The economic reforms in China's cities and countryside and the further opening China to the outside world have raised doubts in the minds of some about family planning work. Particularly after the villages implemented the responsibility system, the people believed that some families have greater productive capacities than others and the villages want to have more children in order that they will have the labor of the children. Experience demonstrates that once the truth has been explained clearly, peasants living under socialism will not heedlessly seek to have many children. They realize that depending upon the manual labor of children to get rich has little chance of success and that it will not get a "return" on "family investment" for a long time. The peasants have seen that the forces of production are moving ahead and that an uneducated simple labor force is a drag on the family and society. Only by relying on a labor force with a certain degree of scientific and technical skill can production be developed and people achieve wealth. Statistics show that China with an overall fertility in 1984 of 2.0, a decline from 2.63 in 1981, has already reached the replacement level. This convincingly demonstrates the implementation of the responsibility system in the villages will not change the basic downward trend in fertility.

With the economic reforms in the cities and the countryside, the urbanization of the population is accelerating, industry in the countryside and in the townships is prospering, and several modes of management are developing which are transforming the old structures of production in which agriculture played the dominant role. Laying aside the matter of the modernization of production, the modernization of daily life also influences Chinese society to a varying degree. Electric and electronic products have become consumer products which people with small families in the city and the countryside can realistically aspire to own. The desire of people for a modern way of life is also going to influence people in the reproductive age cohorts to reduce their fertility. Thus the prospects for low Chinese fertility are optimistic.

II. The Effect of Family Planning on Inducing and Accelerating the Decline in Fertility

China's family planning work most definitely had a very large part in the rapid decline in Chinese fertility. However if we ignore changing social conditions and believe that we can rely on family planning alone to change fertility, this is no different from denying that the change in the population is an objective law and holding that the population may be manipulated as one desires. The great effectiveness of family planning is making a change in fertility appear earlier or making fertility decline faster once the social conditions favorable to a change in fertility have appeared.

Thus, Chinese fertility could decline rapidly once a favorable social environment for changes appeared. Individuals and families spontaneously desired to limit the size of their families. China's population policies could benefit from these favorable trends and use family planning to considerably accelerate the rate at which fertility declined.

In Europe and in some of other areas of the world, countries have found that when there is social and economic stagnation relying on family planning alone is not very effective. However, once fertility has begun to decline by one-tenth, declines in fertility accelerate and can continue. Therefore the acceleration in the decline in China's fertility does have a historical basis.

China has carried out family planning for a fairly long period. During the 1950's this began to safeguard the health of mothers and infants. At the beginning of the 1960's, family planning was promoted as "control appropriately the rate of natural increase of the population" but since family planning was in a very early stage and it was not yet carried out vigorously the results were unclear. During the 10 years of chaos family planning, paralyzed by anarchy, was carried out in fits and starts. At the beginning of 1973 the State Planning Conference explicitly made population part of the economic plan and the State Council set up a committee on family planning. In 1974, Comrade Mao Zedong declared that "the population must be controlled" in December of that year, again set forth the slogan "births should be late, well spaced and few" and made birth control medicines and equipment available free of charge. Family planning came to have an ever greater importance to China's daily agenda. However, deep understanding of the population problem and vigorous promotion of family planning came only after the "gang of four" was smashed, and especially after the Third Plenum of the 11th CPC Congress. The call for each couple to have only one child did not come until 1979 as appeared in the 25 September 1980 "Open Letter" of the CPC Central Committee. However, the decline in China's fertility began in the late 1960's and signs of a decline in fertility appeared in some areas even earlier than this. At the outset of the 1970's, this trend was obvious but family planning had not yet fully demonstrated its effectiveness. Only after the mid-70's was the effectiveness of family planning in accelerating the decline in fertility well understood. The following aspects of the time series suffices to demonstrate the accelerating functions of the spontaneous decline in China's fertility and family planning.

A. Age at First Marriage: Historically, changes in fertility have almost always begun with a rise in the age at first marriage. According to the 1/1000th fertility sampling survey, the age at first marriage in China began to rise in the 1940's. After the founding of new China the tendency for the average age of women at first marriage to rise became more evident and early marriage became nearly extinct in the cities and rare in the countryside. The average age at marriage rose steadily. The peak years for marriage and having children rose steadily. The data is presented below.

1. Change in early marriage by Chinese women: The proportion since the 1940's of women 15 to 17 already married: 1940, 51.4 percent; 1950, 48.3 percent; 1960, 32 percent; 1970, 18.6 percent; and 1980, 5.2 percent.

2. The change in the average age of Chinese women at their first marriage is as below:

	1940's	1950's	1960-64	1965-69	1970-74	1975-80
Urban	18.8-19.6	19.2-20.8	21.5	22.6	23.1	24.8
Rural	18 -18.5	18.4-19.0	19.3	19.6	20.3	22.1

3. The peak age for Chinese women at their first marriage was 17.4 in the 1940's, 17.9 in the 1950's, 18.8 in the 1960's and 21.5 in the 1970's. In 1970, the peak year of age at first marriage was between 19 and 20 years of age. This rose to 21 by 1975. After 1976, most women married between 22 and 23 and by 1980 the peak age for first marriage was 23. This demonstrates convincingly that family planning accelerates declines in fertility.

4. The Chinese late-marriage rate grew steadily and gradually until 1972. During the 1970's the late-marriage rate for the entire country was 16.3 percent. It rose very rapidly between 1973 and 1979. The late marriage rate for the women of the entire country jumped 5.2 percentage points annually to 52.9 percent in 1979.

This data shows that the age at marriage of Chinese women spontaneously rose as social conditions changed. Age at first marriage began to rise rapidly from the middle of the 1970's when China began to carry out family planning effectively.

B. Fertility. Since liberation a social environment favoring fertility decline appeared and a spontaneous decline in fertility become possible. The 1/1000th fertility sampling survey demonstrates this. Overall fertility in the 1960's was 5.68, a decline from 5.87 in the 1950's. However, in this period China had three difficult years of abnormally declining fertility beginning in 1958 and falling more rapidly between 1959 and 1961. A compensatory sharp increase in fertility beginning in 1962 and 1963 lasted for 3 or 4 years. Thus data examined in 10-year periods will show large disturbances. If we compare fertility by eliminating these abnormalities we find that fertility from 1952 to 1957 was 6.22 and from 1967 to 1970 it was 5.96. From 1971 to 1975 fertility declined sharply to 4.54. If we compare the overall fertility in 1952, just after land reform, with overall fertility during 2 years at the close of the 1960's we can see more easily the spontaneous decline in fertility and the role of family planning in accelerating this decline. (see table below)

In addition, comparing fertility by age cohort for the years 1964, 1970 and 1981 we can see that although in 1970 all age cohorts had slight declines in fertility, once the 1970's began fertility declined rapidly. See the data below:

	China	Urban	Rural
1952	6.5	5.5	6.7
1969	5.7	3.3	6.3
1979	2.7	1.4	3.0
1984	2.1	--	--

Year/Age	15-19	20-24	25-29	30-34	35-39	40-44	45-49	Total
1964	0.067	0.290	0.307	0.256	0.188	0.095	0.011	6.078
1970	0.042	0.273	0.304	0.254	0.178	0.079	0.011	5.703
1981	0.012	0.193	0.211	0.068	0.031	0.012	0.003	2.652

C. The Pattern of Fertility: The history of demographic changes demonstrates that spontaneous changes in fertility began with late marriage, giving birth late, and giving birth to the last child at an earlier age. Only later does fertility in the peak ages for giving birth decline rapidly.

1. In the latter half of the 1960's the fertility of Chinese women in the cohorts aged 15 to 19, 40 to 44, and 45 to 49 was lower than in the first half of the 1960's and lower than it was during the 1950's. This demonstrates clearly that fertility had begun to decline spontaneously. These three age cohorts began large fertility declines around 1973, clearly demonstrating thereby the role of family planning in accelerating declines in fertility in these three age cohorts.

2. By 1970, the number of urban women who had given birth to three or more children had fallen by more than one-half, bringing down the national average of women who had three children and three or more children to 62.2 percent. However, the effective implementation of family planning accelerated the decline in the proportion of women who had more than one child to 44.6 percent in 1977, 28 percent in 1981 and 19 percent in 1984.

3. In 1979, China put forth the call "only one child per couple" but even before this some Chinese women wanted just one child. Furthermore the proportion of those who wanted one or two children increased. This can be seen from the number of surviving children of women in different age groups and from the 1982 population census.

The Percentage of Women With 1, 2 or 3 or More Children by Age Cohort of Women in 1982

1981 Census Cohort	1979 Cohort	1 Living Child %	2 Living Children %	3 or More Living Children %
1) 30-39	28-36	8.8	28.2	63
2) 40-49	37-46	2.7	8.1	89.2
3) 50-59	50-56	5.6	8.3	86.1

Women in these age cohorts by 1979 were already beyond their most fertile years. Comparing these age cohorts revealed that cohorts 1 and 2 had children during the 1950's or the beginning of the 1960's and that cohort 3 had children in the early 1950's or before liberation. The proportion of women in cohort 1 with two children is clearly greater than the proportion in cohorts 2 and 3. This shows that women had voluntarily begun to reduce their fertility. Since having just one child was promoted in 1979, the proportion of couples having just one child has risen very sharply. In 1977, first births accounted for 30.9 percent of all the infants born in China, climbing to 46.6 percent in 1981 and 56.5 percent in 1983. (Footnote 2) (Data from the State Family Planning Commission)

D. Regional Differences in Changes in Fertility: European experience of demographic change shows that in countries with uneven economic development demographic change begins with one segment of the population and spreads from there to the entire population. Nearly always fertility declines first in the cities and then low fertility spreads to neighboring areas and areas with a cultural level similar to that of the cities and finally to the entire country. China's urban fertility began to decline fairly quickly around 1965. From 1952 to 1957 overall fertility in the cities and townships was 5.6. By 1965 to 1970 fertility had declined to 3.4. Shanghai was the first to show a drop in fertility. Shanghai's overall fertility according to the 1/1000 fertility sampling survey was 4.75 in the 1950's and 2.83 in the 1960's. The decline in Shanghai's fertility began as early as the latter of the 1950's. Fertility in Jiangsu Province, neighboring on Shanghai, and Liaoning Province, the province with the highest proportion of its population in cities and townships, declined spontaneously from the latter half of the 1960's. Fertility in Shanghai, Jiangsu Province, and Liaoning Province declined more rapidly once family planning was vigorously developed. By 1981, overall fertility in Shanghai had fallen to 1.32 and in Liaoning Province to 1.77, making fertility in Liaoning Province fall from among the highest among China's provinces to the lowest. By 1981, fertility in Jiangsu Province had fallen to 2.08, the replacement level. According to information released by the Jiangsu Province Family Planning Committee overall fertility had fallen to 1.4 in 1984.

Fertility in areas neighboring on provinces and core areas of Beijing, Tianjin, Shanghai, Liaoning, and Jiangsu, such as the three provinces of the northeast, Zhejiang, and Shandong also gradually declined.

III. The Social Conditions Favorable to the Development of Family Planning in China

Today more people throughout the world recognize that in reducing fertility there is a great difference between having a family planning policy and not having a family planning policy. Some scholars even believe that family planning policy alone can make fertility decline. Practice demonstrates that some countries have carried out very effective family planning programs while some other countries have not had effective programs. For example, India in 1952 set and implemented a family planning policy but it was not very effective compared to the family planning programs carried out much later by Thailand and Indonesia. The differences between these programs involve the social conditions for carrying out family planning and the way family planning work is carried out.

There are some abroad who are confused by or cannot explain the rapid decline in fertility after China carried out family planning. Some who misunderstand believe that China relied on force to carry out its family planning program. They are unable to understand that China's socialist system has opened up a new way to family planning which foreigners are unable to do when they carry out family planning.

First, all the nationalities of the entire country agree on the population problem and on family planning. This is fundamentally different from foreign countries where political parties attack one another on the questions of population and family planning in order to gain partisan advantage. The leaders of many countries conceal their own views on family planning so that these views cannot be used against them by their political opponents. People never speak sincerely on family planning because social forces openly oppose it.

History shows that family planning has not spread quickly in the past because churches, physicians, and some organizations openly opposed it. Dissemination of birth control information was not legalized. Even today some countries have not entirely shaken off these influences.

China recognizes that family planning is the path that mankind must take and so does not conceal its viewpoint on this matter. We have legalized family planning and openly proclaimed that it is a fundamental national policy. Laws and the constitution stipulate clearly that family planning is the right and the duty of every citizen. China has made family planning one of the components of spiritual culture. These are important conditions for China's implementation of family planning.

Second, the planned national economy under China's socialist system made China's family planning take a broad macroscopic perspective. This is different from the microscopic view of the West which considers only the family and the couple. Family planning at the level of the family is unrealistic from the macroscopic perspective. By taking the macroscopic perspective, the demands of the state as well as the wishes of the individual and the family can be combined. Family planning obtains the leadership of the state and proceeds in a planned, gradual manner. Moreover from this strategic height the problems of the quality, distribution, structure, and aging of the population can be considered together with society, the economy, the ecological environment, and the technological revolution. Giving the goals of national development and population control to the masses and making them realize that the demands of national development will require higher quality rather than more quantity in the population will make family planning work part of their conscious behavior.

Third, under socialism carrying out family planning work is part of the work of all the people. A government department takes responsibility for overall coordination. Other departments, such as the medicine and health department, the department in charge of the production and distribution of birth control medicine and equipment, the education and research department, the household registry department, the statistical department, the treasury department, the propaganda department, etc., all assume some responsibility as well. Each social organization, such as labor unions, women's organizations, youth organizations, etc., coordinate their activities, becoming an integrated force carrying out comprehensive measures and mobilizing government and mass family planning organizations. This arrangement can scarcely be compared to the "one-man shows" of private and semigovernmental organizations promoting family planning in many countries.

Furnishing birth control medicines, equipment and techniques free of charge is a very important part of promoting family planning. Only a socialist country with public ownership of the means of production could supply a reproductive age population of nearly 500 million people free of charge. In some developed countries, for various reasons appropriating funds for birth control medicine, equipment, and medical operations as well as for different kinds of subsidies is difficult.

Fourth, in Chinese society there are organizations at every level and grass-roots organizations form a very efficient system for disseminating information which permits family planning propaganda and free birth control medicine and equipment as well as medical operations to reach the people without any obstacles. Moreover, this same system easily feeds back information to the guiding department of the state so that family planning can master the situation in a timely manner, discover shortcomings, rectify errors promptly, and guide different areas differently according to regional peculiarities and make family planning proceed smoothly in China.

Changes in China's social environment made a change in views on reproduction a possibility. The development of family planning made this possible change in fertility a reality. Family planning policy can play a very large role in accelerating the decline of fertility only if this policy first reflects the characteristics and requirements of this demographic change. If it does not accurately reflect these changes it cannot induce a decline in fertility or will cause a merely temporary decline. Therefore, family planning must be continually examined in the light of practice and continually adjusted and improved as it is being carried out in order to adapt it to new situations.

In carrying out family planning or in implementing a population policy we cannot understand it as simply another way of saying we are aiming at achieving a certain population target or reducing the number of births. It must have a rich and profound content including the ideology that guides it and the methods it uses to achieve its goal. Some foreigners think of China's population policy as "the one-child policy." This is a very lopsided view because China's population policy includes many policies for different situations in different regions, for different nationalities, in different periods of time in addition to the policy of raising the quality of the population. In order to thoroughly implement China's family planning policy we must further stress the policy of combining the leadership of the state with the desires of the individual. Persuading people through education is an indispensable part of family planning work. In addition, we must pay strict attention to efficiency in the supply of birth control techniques and of medical services.

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19 JUNE 1986

China Report

ECONOMIC AFFAIRS

ENERGY: STATUS AND DEVELOPMENT--50

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CHINA REPORT
ECONOMIC AFFAIRS
ENERGY: STATUS AND DEVELOPMENT--50

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NATIONAL POLICY

ELECTRIC POWER OUTPUT PLANS FOR SEVENTH FYP OUTLINED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 26 Feb 86 p 1

[Article by Liu Bianyang [0491 6239 7122] and Zhang Heping [1728 0149 1627]]

[Text] In a Beijing meeting, electric power department heads reported that to reverse critical electric power shortages, China's annual average electric power generation capacity for large and medium-sized power generation equipment going into operation during the Seventh Five-Year Plan will be about 7 million kW. This is more than double the 3.23 million kW of the Sixth Five-Year Plan.

According to this plan, by 1990, nationwide electric power generation will reach 550 billion kWh, an increase of 142.7 billion kWh, over 1985 and representing an average annual increase of 6.2 percent. Total investment in electric power construction will be 58.6 billion yuan; 34.4 million kW of electric power generating capacity will be put into operation. The scope of power plant construction will be 54.9 million kW.

It is reported that China's electric power construction plan for the next 5 years is as follows:

Active development of thermal power, mainly in Shanxi, Inner Mongolia, Heilongjiang, Henan, Shaanxi, Ningxia, Shandong, Anhui, and Guizhou--all major coal-producing regions. We will build a number of power plants in these mineral-rich areas. In coastal areas, we will build harbor power plants.

Vigorous development of hydropower with continued development of the upper reaches of the Huang He, the tributaries of the middle and upper reaches of the Chang Jiang, and the hydropower resources of the Hongshui He basin by building a group of hydropower stations. The hydropower resources in northeast and east China make them good areas for construction of medium-sized hydropower stations. We will also help localities develop medium and small-sized hydropower stations.

We must concentrate on gradually developing nuclear power, complete the first phase of Zhejiang's Qinshan nuclear power plant project, and carry out preliminary work for the second phase of the project, and continue construction of the Guangdong nuclear power plant.

We should actively develop power networks throughout the northeast, the west, the east, central, and south, progressively completing a 500 kV central network. Also, finish construction of the Gezhouba-to-Shanghai 500 kV direct current transmission project and link up the central China and east China grids. A responsible spokesman for the Ministry of Water Resources and Electric Power emphatically pointed out that during the Seventh Five-Year Plan increases in the output value of agriculture and industry can remain only as high as increases in electric power production. If the pace of production quickens, the demand for electricity for daily living will skyrocket. Then, after the Seventh Five-Year Plan, we will have a power shortage that may not be alleviated and in fact it may even worsen. How to solve our critical power shortage will require in-depth research.

13226/13046
CSO: 4013/97

NATIONAL POLICY

BRIGHT PROSPECTS FOR INVESTMENT IN ENERGY DEVELOPMENT

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese 10 Mar 86 p 28

[Text] During its Seventh Five-Year Plan (1986-1990), China will energetically develop hydropower resources; electric power will be a major construction item.

Grand Plan for Hydropower Development

The emphasis on China's development of hydropower is on the middle and upper reaches of the Chang Jiang, the upper reaches of the Huang He, and the Hongshui He basin, as well as preparatory development of the hydroelectric resources of the cascades of the Wu Jiang, Yalong Jiang, Dadu He, Jinsha Jiang, and Lancang Jiang.

For many years, the Chinese have eagerly anticipated the present preparatory work on the Sanxia [Three Gorges] hydropower station on the Chang Jiang. This huge engineering project has benefits of flood control, electric power generation, river transportation, etc., and will have an installed capacity of 13,000 megawatts. It will be the world's largest hydroelectric station.

The Three Gorges hydropower station is planned for completion in the 1990's. It is reported that the Three Gorges Plan Science Center building has been completed. A 40-kilometer highway connecting the Gezhouba and Three Gorges dam site is now under construction. It is projected that construction of a 150-meter-high concrete dam will begin in 1986.

Guangxi's Hongshui He is rich in hydropower resources. The Hongshi He can yield 11.1 million kilowatts of electric power. Besides the Lubuge, Tianshengqiao, Yantan, and Dahua hydroelectric stations, which are already under construction, additional stations such as Longtan, Datengxia, and Etan are being considered for development. This is a total of 10.2 million kW of electricity.

Increasing the Electric Power Supply for Coastal Cities

In the next 5 years, China will increase electric power related construction in the coastal port cities; a number of thermal power plants will be built and total installed capacity will reach 18.75 million kilowatts. This year it is hoped to put into operation a capacity of 3.6 million kilowatts.

Dalian, Nantong, Fuzhou, and Guangzhou will use foreign investment to import advanced equipment and build a batch of thermal power plants. The State Council passed approval for the Huaneng International Electric Power Development Company to set up negotiations with Japan, France, and the Federal Republic of Germany. Importation of electric power items are the main business. Qingdao and Yentai cities will cooperate with central and local entities to build power plants.

Additionally, the development of nuclear power plants in the coastal areas is one of the measures being taken to develop the electric power industry. From the start of the Seventh Five-Year Plan, within 15 years a batch of nuclear power plants will be built in places deficient in power resources like Guangdong, East China, and the Northeast. As of now, the Daya Bay nuclear power plant in Guangdong and the Qinshan nuclear power plant in Zhejiang are already under construction.

As China's major hydroelectric and coal resources are concentrated in the southwest, northwest, and northwest Huabei, while most electric power consumption is concentrated in the southeast coastal region, the Chinese Government has decided to develop long-distance, high-voltage power transmission lines. A few major power lines now under construction or in the planning stage are as follows. Already under construction in Anhui Province is the Huainan-to-Shanghai 500 kV line which can provide Shanghai with 1 million kW of power a year. A 500 kV transmission/transformer project will link Guangxi and Guangzhou provinces and stations on the Hongshui He will make 600 to 700 megawatts of power a year available to Guangzhou.

The state has also decided to exploit the upper reaches of the Huang He, which is rich in hydropower resources, to send power to northern China to support developed coastal cities like Tianjin. In the Chang Jiang river basis, China's largest hydroelectric station, the Gezhouba power station, will construct China's first two phase, 500 kV direct current power transmission line to Changhai. After completion, this line will make 1.2 million kilowatts available to Shanghai. After the construction of these super high voltage power transmission lines, the cities of Zhanjiang, Beihai, Ningbo, Wenzhou, etc., will all benefit.

China-Foreign Cooperation Already on Large Scale

Due to the rapid development of hydropower resources and faster electric power construction, Vice Premier Li Peng has welcomed international investment and cooperation. According to reports, the U.S. Government has announced that it will help China to plan construction of the world's largest hydropower station at the Three Gorges. U.S. specialists are already visiting China and assisting in planning. As a result of bidding both within and outside China, the Taisei Company of Japan was awarded the bid and has already started construction of the Lubuge power station on the Hongshui He. Also, the World

Bank has lent China U.S. 145 million. A special international advisory group including Australia's Snowy Mountain Company and Norwegian experts is also providing consultation. Guangzhou is already building two power facilities in joint ventures with foreign businesses.

With the use of foreign capital and advanced equipment, nuclear power plants can be built. The Chinese Government has already made nuclear power cooperation agreements with Great Britain, the Federal Republic of Germany, and the United States.

13226/6662
CSO: 4013/100

NATIONAL POLICY

MEASURES SOUGHT TO HEAD OFF EXPECTED RURAL ENERGY SHORTAGE

HK200319 Beijing CHINA DAILY in English 20 May p 3

[Report by staff reporter Hu Sigang]

[Text] Rural areas face a severe energy shortage in the 1990s, unless urgent measures to tackle the potential crisis are put into operation.

With the development of local industry and improvement of farmers' living standards, the demand for energy is skyrocketing, according to a senior official of the Ministry of Agriculture, Animal Husbandry and Fishery.

If no effective measures are taken to match supply with demand, rural economic development and the ecological balance could be seriously affected, he warned. "in this situation, two avenues are open to us," he said. "One is to exploit local energy resources and the other is to develop energy-saving techniques."

By 1990, the rural production sector will need energy equivalent to at least 170 million tons of standard coal a year while farmers will need 60 million tons for domestic use. But the state will only be able to provide energy equivalent to 190 million tons of coal, according to the official.

However, China has already mapped out measures to ease the energy shortage.

During the Seventh 5-Year Plan period (1986-1990), 3.25 million kilowatts of electricity will be generated a year by small hydropower stations scattered around the country; 60 million hectares of new forests for fuel will be planted; 70 million more fuel-saving stoves will be distributed and another 2.5 million farm families will use biogas (methane) for cooking, according to the official.

In areas with abundant natural energy resources but little electricity, power stations generating 5,000 kilowatts a year will be installed fuelled by biogas.

Some 250,000 solar stoves will be introduced along with solar heating equipment and 50 more geothermal energy projects will be started. The ministry plans to cooperate with other ministries to further develop wind and wave power and means to save 30 million tons of standard coal a year should be devised by the end of 1990.

"By then, 4 percent of the rural population will use quality gas fuel and 60 percent will use clean and convenient fuel-saving stoves," he said. Great changes would surely take place in the rural energy situation if the goals were all realized, he said.

The official said the outline plan for rural energy development was feasible. "But the task in front of us is an arduous one."

Leaders of all localities and farmers have been urged to increase their efforts to bridge the energy gap by developing new techniques and exploiting new resources.

At the moment, most farmers still consume energy in relatively primitive ways. Waste is high. People mainly burn straw and plant stalks; in 1985, 200 million tons of straw and stalks were burnt. As a result, nitrogen and phosphorus amounting to 60 percent of the country's total fertilizer output was lost. And green coverage has been reduced from 12.7 percent in 1976 to the present 12 percent owing to tree felling for fuel.

The official said that the central government was very concerned with energy development in rural areas. Special offices have been set up in the State Council, the State Economic Commission, the State Planning Commission, the State Science and Technology Commission, and several ministries to supervise the rural energy development.

/12232
CSO: 4010/53

NATIONAL POLICY

BRIEFS

EXPANSION IN SEVENTH FYP--Beijing, 12 May (XINHUA)--China plans to construct power plants with generating capacities of 60 million to 65 million kilowatts during its Seventh Five-Year Plan period (1986-90). Officials of the Ministry of Water Resources and Electric Power told XINHUA today half of an unspecified total number of plants will be completed during the period, and an additional capacity of up to 7 million kilowatts is now expected every year. Already four giant hydroelectric stations--Lubuge, Tianshengqiao, Yantan, and Dahua--are well under way on the Hongshui [He], along with another dozen power facilities, including two nuclear ones. [Text] [Beijing XINHUA in English 1340 GMT 12 May 86]
/9604

CSO: 4010/52

POWER NETWORK

SICHUAN TO ADD 2.28 MILLION KW IN CAPACITY IN SEVENTH FYP

OW162105 Beijing XINHUA in English 1917 GMT 16 Apr 86

[Text] Chengdu, 16 Apr (XINHUA)--Sichuan Province plans to build a big power plant and a hydropower station to meet the needs of its fast economic development.

Some 2.28 million kW of power-generation capacity will be added to this most populous province during the 1986-1990 period, according to local officials.

The province is still short of electricity though it has produced an annual 16 billion kWh of electricity over the past few years.

By 1990, the province will be able to annually generate 25 billion kWh of electricity, a 56 percent increase over 1985.

The thermal power plant, to be built in the northern part of the province, has a design generating capacity of 900,000 kW, which involves a total investment of 1 billion yuan.

Two generating units of 335,000 kW each will be imported from France. One of them is expected to go into operation by 1989.

Construction of a hydropower station with a generating capacity of 3 million kW will start next year in the southwestern part of the province. The station, with a total investment of 3.2 billion yuan, is to be completed in 10 years. Upon completion, it will be able to produce 16.5 billion kWh of electricity a year--equal to the present total electric energy production of the province.

The money needed for the construction will both come from the state and be pooled among localities.

/12858
CSO: 4010/47

POWER NETWORK

NORTHWEST TO SEE BIG GROWTH DURING SEVENTH 5-YEAR PLAN

HK210452 Xi'an Shaanxi Provincial Service in Mandarin 0030 GMT 18 Apr 86

/Text/ During the Seventh 5-Year Plan period, China will vigorously develop its northwest electric power industry. It will increase the installed capacity there by more than 200 percent compared to that of the Sixth 5-Year Plan.

During the Seventh 5-Year Plan period, China will move to the west a number of enterprises which consume large amounts of electricity. Therefore, the power consumption of northwest China will annually increase by more than 10 percent. In order to meet this situation, the northwest will make full use of such advantages as coal and water resources to greatly develop the power industry.

During the Seventh 5-Year Plan period, the northwest electric power industry will continue to simultaneously develop hydroelectric and thermal power generation; large, medium-sized, and small power stations; and state-run and local power stations.

In hydroelectric power generation, the Longyangxia and Ankang hydroelectric power stations will be put into operation. Construction will start on the Lujiaxia and (Daxia) hydroelectric stations on the upper reaches of the Huang He.

In thermal power generation, a number of power stations will be built and expanded. Output capacity will be increased by 2.2 million kilowatts.

At the same time, the region will build a number of power transmission projects serving these power stations so as to promptly achieve the goal of linking the power grid in northwest China with that in north China.

/12228
CSO: 4013/110

POWER NETWORK

BIG GEZHOUBA TRANSFORMER READY FOR TRIAL OPERATION

OW281344 Beijing XINHUA in English 1325 GMT 28 Apr 86

[Text] Wuhan, 28 Apr (XINHUA)--A 500,000-volt transformer station, China's biggest, will soon be put into trial operation at the Gezhouba hydroelectric project complex in Hubei Province, XINHUA learned today.

This will pave the way for the transmission of electricity from the Gezhouba complex to central and eastern China. When completed, Gezhouba will have a total generating capacity of 2,715,000 kilowatts.

The first stage of the scheme, with a capacity of 965,000 kilowatts, has generated 25.45 billion kilowatt-hours of electricity since it went on stream at the end of 1981.

This year, two generating units of the second stage, with a combined capacity of 250,000 kilowatts, will go into operation.

/8309
CSO: 4010/51

POWER NETWORK

STRICT CONSUMPTION QUOTAS URGED FOR QINGHAI POWER USERS

HK270830 Xining Qinghai Provincial Service in Mandarin 2230 GMT 23 May 86

[Text] In order to ease the shortage of power in the fourth quarter, the storage season at Longyangxia Reservoir, and to ensure the fulfillment of this year's industrial production tasks, the provincial finance and economic commission held a work meeting between 20 and 22 May on the planned consumption of electricity. The meeting urged the departments in charge of electricity to rationally set up power consumption quotas for consumers. They should not excessively distribute and consume electricity when the power network has shortages. We should take economic measures against those consumers who do not consume power according to the assigned quota and who hide the fact from others. All departments should balance in a comprehensive way their electricity load. At the end of the third quarter, the industrial enterprises should have fulfilled 80 percent of the annual production quota. Enterprises will be given electricity in connection with their economic results.

The meeting also urged the consumers to save electricity. Beginning with technology and management, the enterprises should strive to reduce their amount of power consumption.

/6091
CSO: 4013/130

POWER NETWORK

BRIEFS

NEW ZHEJIANG PROJECTS--As revealed at Zhejiang's power industry work conference on 14 March, three new power-generating units totaling 300 MW will be put into operation in the province this year. Other provincial electric power projects expected to be completed within the year include four power transmission lines of more than 220 kV and five transformer stations. In addition, work is being stepped up to have the Zhoushan direct-current power transmission project completed this year. This project, designed by Chinese engineers and using domestically made equipment, is the first of its kind in China. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 14 Mar 86 OW] 12228

CSO: 4013/110

HYDROPOWER

CRITICS, PROPONENTS OF THREE GORGES PROJECT AIR VIEWS

HK260839 Hong Kong PAI HSING in Chinese No 118, 16 Apr 86 pp 28-30

[Article by Jung Chou [2837 3166]: "Heated Debates About the Hydroelectric Power Station Across Chang Jiang's Three Gorges"]

[Excerpts] Debate over the hydroelectric power station project across Chang Jiang's three gorges has been going on since it was first proposed. In a meeting with U.S. Energy Secretary John Herrington on 14 March, Zhao Ziyang said: "The Three Gorges project will be the largest of its kind and it has caught the world's attention. The Chinese Government has done voluminous preparatory work on it, however, some economic and technological problems need to be further explored." Obviously, it is final that the construction of this project undergoing long preparations will get under way. However, this does not mean that debate among different views will be over. That is why Zhao Ziyang said some problems "need to be further explored."

It has been learned that this project was given the go-ahead by the highest CPC authorities back in 1984. When the State Council gave its approval in principle to the "Report on the Feasibility Studies of the Chang Jiang Three Gorges Water Control Project," it was decided that a Three Gorges project construction preparatory headquarters be set up by the Gezhouba Project Bureau, which is known for its abundant building eqiupment and technological and human resources. A number of construction workers were to be sent with the headquarters to settle at the confluence of Letian Brook at Sandouping, 40 km upstream from Gezhouba. On 15 November 1984, Vice Premier Li Peng made a formal announcement to start "preparations for the development of the Chang Jiang Three Gorges Hydropower Station Project, which will have a total capacity of 13 million kW, with each generator set exceeding a capacity of 500,000 kW." This announcement was made at a meeting marking the 50th anniversary of the founding of China's Electrical Engineering Society in the Great Hall of the People. In coordination with the construction of the project. China planned to merge Xanxian and Peiling, Sichuan and some counties and cities in Yichang and Enshi, Hubei into a new province, "Sanxia", and Li Boning, former vice minister of water resources and electric power, was appointed leader of the preparatory group of the new province.

As the Three Gorges Hydroelectric Power Station is a megaproject involving enormous financial, material, and human resources, its success or failure is of great importance. In view of the lessons drawn from the hasty decision on building the Baoshan Iron and Steel Works in Shanghai, a number of luminaries experts, and scholars have put forth many proposals and questions. The CPPCC thus sent an investigation team headed by 90-year-old Sun Yueqi to make an on-site survey of the Three Gorges on the Chang Jiang. Later, a problem-laden survey report was submitted. Since then, relevant debate has spread both at home and abroad. The author has close friends among the famous water conservancy and electric power experts and has learned from them some inside stories concerning the project. Following are some issues of universal concern, to be recorded here for the reference of the reader.

Comprehensive Economic Results

It has been disclosed that the Three Gorges Hydropower Station is a mammoth project that will bring comprehensive economic results in flood prevention, irrigation, power generation, navigation, and aquaculture.

China has for the past 3 decades and more expended a huge amount of financial and human resources on preventing floods and on dealing with emergencies every year, with staggering accumulative figures. If a great flood should recur, it would be dreadful to contemplate a break in the Xing Jiang dykes. Living now in the flood-diversion region is a population of 400,000. Even if the flood-diversion gates were open, the direct losses incurred would be more than 20 billion yuan, which exceeds the budget for the Three Gorges dam in design. Involved experts believe that the building of the Three Gorges project is the only way to relive the threat of floods to millions of people on the banks of the Xing Jiang, as the project will efficiently control 95 percent of the source of floods in this region.

The annual output of the Three Gorges Hydropower Station will be more than 65 billion kW/hr, which would consume more than 35 million tons of raw coal or 18 million tons of oil for ordinary thermal power plants. In addition, it will be pollution-free and free of the heavy demand on transportation of fuel and minerals, as well as dealing with waste and ash. At the same time, it will help correct the shortcomings of the Chang Jiang's imbalanced distribution of power resources along its river valleys and satisfy the energy-starved industrially developed zones in its middle and lower reaches. Moreover, the Three Gorges Reservoir will serve to regulate the water flow, which will help raise the generating capacity of the Gezhouba hydropower station from 760,000 kW to 1.5 million kW. Experts believe that the building of the Three Gorges hydropower station will be one of the decisive factors in the rapid economic development of the mainland.

Tremendous Investment Involved

As reported in a Hong Kong newspaper, the Three Gorges Project involves an estimated investment of 60 billion yuan, which is quite beyond China's means. Some people believe that the project will eat up more than $20 billion worth of foreign currency and land the nation heavily in debt, when the loss will definitely outweigh the gain. A friend of the author questioned an export of the "Chang Jiang Navigation and Water Conservancy Development Committee" and learned that the total investment in the budgetary estimate for the project would be 16 billion yuan, including $1 billion worth of foreign currency. The whole lot would be spent in 17 years, and the average annual investment would be 1 billion yuan, which is within the means of the nation. Besides, the completed Gezhouba Project will be a leading component of the Three Gorges Water Control Project; it will bring in about 500 million yuan from its output; and when all its 21 generator sets are tied into the power network, its income will more than double. After the Three Gorges Project has been under way 8 years, two generator sets with a capacity of 1 million kW will have been put into production. From then on, four generator sets will be put into production on an annual basis, so the Three Gorges Project will be able to solve its investment on its own.

Some people hold the view that refraining from or putting off the building of the Three Gorges Project and building another 20 large and medium hydropower stations in its stead, will involve less investment but bring about quick results. In fact, only 6 initial designs of these 20 hydropower stations in the proposal have been submitted; the rest are still castles in the air. It is impossible to break ground in the near future. Moreover, efforts can be concentrated when building the Three Gorges Project; with the huge volume of work involved in installing the generator sets, overlapping expenditures in building and waste in human and financial resources may be avoided. The investment to install the generator sets averages 1,200 yuan per 1,000 kW, which is much lower than the average investment on projects in mainland China today. The Three Gorges hydropower station will span the Chang Jiang. The effective utilization time will be 5,200 hours a year or 3,000 hours more than the 20 projects that would replace it. Its output will be more than 30 percent greater than the 20 projects put together. Even the acreage to be covered by water will be 50 percent less and the number of people to be evacuated will be 30 percent less. It is difficult to estimate the normous role of the Three Gorges Project in the economic development in East and Central China after the 1990's.

Discussion on "damage to the ecological balance" has spread since the building of Gezhouba. Some say the dam has raised the water level, submerged a large area of land, and even more seriously increased the alkalinity of a large area of land in the vicinity. Some say the dam has upset the natural habitat of aquatic animals in the river; affected most is the Chinese sturgeon, a "living fossil". Others say the dam has blocked the silt in the river, which may lead to a phenomenon similar to the Aswan Dam in Egypt which has caused seawater to erode the original fertile farmland on the Nile River Delta. Still others worry that Shanghai, situated on the estuary of the Chang Jiang, will gradually be swallowed by the sea. Besides, the dam has blocked organic sediment, which will result in a drastic drop in aquatic products at the Chang Jiang estuary. According to Sun Heian, deputy director of the Gezhouba Project Bureau and chief coordinator of the Three Gorges Project Preparatory Headquarters, there is some truth to these objections but they are views based on superficial knowledge. Over thousands of years, disastrous floods often took place along the Chang Jiang, and the environment for human subsistence has often been gravely threatened. Today, when we are trying to tame this "mustang" turning the harmful into the useful, why should we be unhappy about it? With the water level raised after the building of the dam, the water conservancy and irrigation of farmland will be markedly improved, and farming and production in the vicinity will inevitably undergo relative changes in development; it is not fair to single out the alkalinity of the soil.

The Gezhouba Dam has sand-washing sluices with a maximum flow at 10,000 cubic meters per second, which is capable of washing away the silt from upstream. Needless to say, a large amount of organic sediment is contained in the silt. The Three Gorges dam will have larger silt-washing sluices, so it is groundless to say the estuary of the Chang Jiang and Shanghai will be threatened.

Some people have asserted that with the building of Gezhouba, the Chinese sturgeon will be doomed to extinction. They wrote the CPC Central Committee and the State Council, demanding protection of the ecological balance of the Chang Jiang. Responsible people of several academic societies published an appeal for "saving the Chinese sturgeon." To deal with this, the CPC designated Du Rensheng, director of the Rural Policy Research Center of the Secretariat to organize a conference on the issue. Wu Xianwen and Ni Shuda, respectively director and deputy director of the Institute of Hydrobiology under the Chinese Academy of Sciences; Cao Wenxuan, research fellow; and Yu Jitang, engineer of the same institute; Ke Xuntao, director of Sichuan Institute of Aquatic Products; and professor Yang Bolu, dean of the Aquatic Products Department, Central China Agricultural College, share the view that the Chinese sturgeon will not be threatened by extinction and that it has the ability to adapt to a new environment.

The Siltation Problem

Whether the Three Gorges Project will lead to siltation is still another focus of discussion and target of attack. Some people believe that the project will bring about siltation, which will eventually turn Chongqing into a dead port. Tang Richang, senior engineer and deputy director of the Siltation Specialty Committee under the Water Conservancy Academic Society has been deputy chief engineer of the Chang Jiang Water Conservancy and Hydroelectric Power Institute for years. According to him, Chang Jiang differs greatly from Huang He. It has better vegetation of grass and trees on its upper reaches than the Huang He, and it is free of loess plateau effects. As a result, its water contains comparatively little silt. Based on the record of Yichang Hydrologic Station, every cubic meter of the water there contains a little more than 1 kg of silt on average -- 10.5 kg when the water is most turbid -- which is, on an average annual basis, only one-thirtieth of the amount of silt contained in the water of the Huang He at the Xiaxian Hydrologic Station. The Chang Jiang has a huge volume of water and a rapid flow, which is 2,770 cubic meters at Yichang during the dry season, the same as the Huang He when its water is high. The silt in the Chang Jiang falls into two categories: pebble of bed load, and fine sand of suspended particles, according to record, the annual amount of pebble reaching Fengjie County at the upper mouth of the Three Gorges is 700,000 tons -- not much -- and it sinks to the river bed, moving at a very slow rate. When the Three Gorges reservoir is built, the water level will be raised more than 100 meters; it is unlikely that the pebble of bed load will get into the dam area. The amount of sand of suspended load reaching Yichang is 520 million tons. The fine sand is mixed with the water, and will settle only in still water. The water in the approach channel of the Gezhouba is still, creating a sediment problem. But sand washing sluices are built along the channel, which turn the still water into rapids and will basically wash the sand away. The silt close to the fringe of the channel can be removed by dredger.

According to Tang, the real threat will be the backwater area at the tail of the Three Gorges reservoir. Calculating on the basis of the present plan, the dam has a normal water retaining level of 150 meters; the reservoir has its tail in Changshou County, miles east of Chongqing. But the water level will be regulated and changed according to the needs of power generation, flood prevention, and water storage. Here, the rapid water in the river will be decelerated suddenly and form backwater, which in turn will cause siltation. And that is where the idea that Chongqing will become a "dead port" comes in.

To cope with this problem, relevant departments have sent large numbers of scientists and engineers to particpate in research, using electronic computers for calculation, and silt-washing experiments with large-scale physical models in Beijing, Tianjin, Wuchang, and Hankou. Results show that the silt formed in the backwater areas during the high water season can be carried away by the river after floods. But should a windy and sandy season directly follow a dry season, siltation will occur between Changshou and Zhongxian, where shoals are many, and the water has a depth of only 3 meters, obstructing the passage of large vessels. However, based on simulation studies, it will not involve too much work to dredge the silt in this section. Local dredging facilities can remove the silt formed in the backwater areas.

In fact, both the Chongqing city government and the Chang Jiang Navigation Bureau hope the Three Gorges Project will get under way as quickly as possible. Moreover, they hope that the water level of the dam will be raised from 150 to 180 meters above sea level, so that power output can be increased by a large margin and ships with a tonnage of 10,000 can reach Chongqing throughout the year.

The Service Life of the Dam

The Three Gorges dam will be 175 meters in height, equal to the Lonyangxia dam built earlier on the upper reaches of the Huang He, but lower than the Grande Dixence dam in Switzerland, which stands 285 meters high, and the

Rogun dam of the Soviet Union, which is 325 meters in height. Even so, some people still express doubt concerning the service life and the building technology of the Three Gorges dam, and worry about a possible earthquake in this region that would threaten the safety of the dam.

The PRC's Ministry of Geology and Mineral Resources was entrusted to convene a "Symposium on Geological Problems Concerning the Chang Jiang Three Gorges Project for experts and scholars in the summer of 1985. A comprehensive study was conducted on data derived from surface surveys, remote sensing, deep drilling detection, physical and chemical detection, topographic analyses, crystal stress tests, on-site experiments, and seismic monitoring. Finally, a team of experts was formed, consisting of more than 10 professors, research fellows, and senior engineers, which submitted the "Demonstration Report of the Symposium on Geological Issues of the Chang Jiang Three Gorges Project," affirming that "the dam's site at Sandouba is a sound one, suitable to building a dam with a water level between 150 and 180 meters." The report also gives concluding remarks on the studies of such important issues as the stability of the dam area, the possibility of an earthquake induced by the construction of the reservoir, the stability of the dyke along the reservoir, and the submergence and development of the mineral resources in the reservoir area.

A U.S. observation team recently made an on-site investigation in the Three Gorges area and would not buy the idea that Chinese experts think it all right -- barring a major earthquake in the area in the next century. They think it reliable to exclude the possibility of a major earthquake in the next [illegible],000 and 10,000 years. The rapid progress in modern science and technology will solve a greater number of more complicated problems in the future. Perhaps the Three Gorges Project is linked with China's economic reform and the future of its "well-to-do" living standard; therefore, they must be meticulous as well as resolute, attaching attention to both, which is an important issue testing the CPC authorities.

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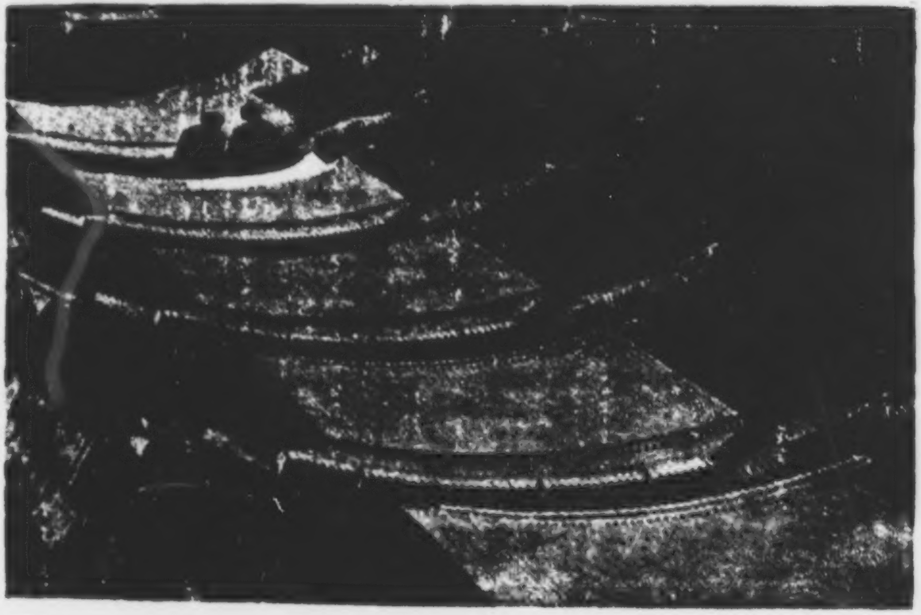
CSO: 4013/121

HYDROPOWER

SICHUAN PREPARES 320MW GENERATOR FOR LONGYANGXIA

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 17 Apr 86 p 4

[Photograph and caption]



In order to meet the need for large-scale power plants, the Dongfang Electrical Machinery Factory in Sichuan has fabricated a single-unit 320,000kW hydraulic turbine generator. This set is currently the largest of its kind to be made in China, and demonstrates that we have reached a new stage in designing and building heavy power generating equipment. The photograph shows the stator for the big hydraulic turbine destined for the Longyangxia hydropower station.

/12232
CSO: 4013/112

HYDROPOWER

WORK ON HUGE MANWAN POWER STATION NOW FORMALLY UNDER WAY

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 2 May 86 p 1

[Text] Kunming, 1 May, (XINHUA SHE)--Construction of the Manwan hydroelectric power station officially got under way today. The station, located on the middle reaches of the Lancang Jiang in Yunnan Province, will have a total installed capacity of 1,500 megawatts.

The Manwan hydropower station will have six 250,000-kilowatt generators, the first of which will be producing electricity by the end of 1991. When completed, Manwan will be the biggest hydropower station in southwest China.

Yunnan Province has rich hydropower resources. Its six major river systems could support over 71 million kilowatts in installed capacity, putting it in second place nationally. The Lancang Jiang, upon which the Manwan station is located, is a major target for development in Yunnan Province. In initial surveys, the Kunming Survey and Planning Institute of the Ministry of Water Resources and Electric Power [determined that] on the more than 1,200 kilometers of the Lancang Jiang that flows through Yunnan, 15 cascade power stations could be built with a total installed capacity of 20.73 million kilowatts. The Manwan hydropower station will be the first station in this 15-cascade plan.

/8309
CSO: 4013/119

HYDROPOWER

LOW WATER LEVELS EXACERBATE GUANGDONG'S POWER SHORTAGE

HK170308 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 16 Apr 86

[Text] The provincial economic commission, planning commission, and electric power bureau yesterday afternoon held a report meeting on the situation in electric power to analyze the situation in power supply in our province and to put forward a countermeasure to improve the shortage. At the same time, the meeting emphatically pointed out: The situation in the power shortage in our province can hardly be basically improved in a short period of time. We must really enforce the State Council's provisional regulations on economizing on and controlling energy resources and do a good job in using power in a planned and economical way. Guangdong is one of the provinces in the whole country which are seriously short of power. In the first quarter of this year, due to the fact that the water level of the reservoirs dropped to the lowest level since 1975, hydroelectric power generation was affected. Although power departments tried in every possible way to increase output of thermal power and, at the same time, tried to purchase power from outside the province to increase the total power supplied in the first quarter by about 10 percent over the same period last year, supply still fell short of demand and the shortage of power was very marked. To improve the current situation in the short supply of power, departments concerned will take a series of measures:

1. Since output of hydroelectric power is now reduced, it is necessary to fully tap potentials to increase output of thermal power.

2. It is essential to rationally make arrangements for hydroelectric generating and to increase its utilization rate.

3. It is imperative to put into operation as soon as possible all generating sets imported to all places throughout the province last year. Moreover, the province should buy 500 million kilowatt-hours from Guangxi this year.

4. Watt-hour meters must be installed and electricity-consuming hours staggered. Economic levers must be used to encourage more enterprises to use power in the second half of a month so as to ensure a balance of generating electricity and the supply and use of electricity.

/12929
CSO: 4013/108

HYDROPOWER

WU JIANG: RIVER RICH HYDROPOWER RESOURCE

Beijing SHUILI FADIAN [WATER POWER] in Chinese No 12, 12 Dec 85, pp 5-7

[Article by Luo Xibei [5012 6007 0554], Zhao Yukun [6392 3022 2492], and Chen Zuan [7115 4371 1344]]

[Text] The Wu Jiang is the largest tributary on the right bank of the upper reaches of the Chang Jiang and stretches across Yunnan, Guizhou, Sichuan, and Hubei Provinces. The main stream flows through the Guizhou hinterland and merges with the Fuling in Sichuan Province at their confluence with the Chang Jiang. The river covers an area of 88,000 square kilometers which has great hydropower potential. Ranking seventh among the tributaries of the Chang Jiang in terms of area and third in terms of developable hydropower resources, it is one of China's biggest hydropower sources. Moreover, there are many conditions that favor hydropower development on the Wu Jiang, and acceleration of the pace of development is correspondingly important for energy resource planning and construction in China.

1. A River Rich in Hydropower Resources and With Favorable Natural Conditions

The climate along the Wu Jiang is warm with plentiful rainfall (900 - 1,400 mm annually), and the yearly discharge of 52 billion cubic meters is comparable to that of the Huang He. With an average annual depth of 600 mm, the Wu Jiang is also quite deep for tributaries on the upper reaches of the Chang Jiang. Its river valley is deep and drops steeply--according to statistics on the tri-river confluence, the mainstream is 1,037 kilometers long and has a drop of 2,100 meters, indicating a rich hydropower potential. According to data from the National Hydropower Resource Survey carried out in 1978-1980, the theoretical maximum power capacity of the entire Wu Jiang region is 10.426 million kilowatts (91.33 billion kWh per year), to which the mainstream contributes 56 percent (5.80 million kilowatts or 50.8 billion kWh per year). Preliminary development plans now call for a river project to consist of the following nine cascades: The Hongjiadu hydropower station on the Liuchong He "Spigot" cascade, followed by Dongfeng, Suofengying, Wujiangdu, Goupitan, Silin, Shatuo, Pengshui, and Wulong (or Daxikou). The large water head (nearly 1 kilometer) can be exploited to give an installed capacity of approximately 8 million kilowatts with a yearly output of nearly 40 billion kWh (Table 1 shows the results of preliminary calculations of the principal power-generation characteristics for each of the hydropower stations in the various stages: Of the large rivers flowing into the Chang Jiang with developable hydropower resources, the Wu Jiang is surpassed only by the Min Jiang's Dadu He and the Yalong He, which rank first and second.

Table 1. Characteristics of the Hydropower Stations on the Wu Jiang

Name of Station	Hongjiadu	Dongfeng	Suofengying	Wujiangdu	Goupitan	Silin	Shatuo	Pengshui	Daxikou	Total
Flow area (km^2)	9900	18161	21862	27790	43250	48558	54508	69920	86000	
Average yearly discharge (m^3/sec)	147	345	427	511	737	864	972	1320		
Water height at dam site (m)	978	834.7	758	624.4	437	364	292	211	150	
Planned water storage height (m)	1120	970	835	760	630	445	360	293	210	
Dead water height (m)	1070	936	813	720	570	430	340	278	205	
Total dam capacity below normal water storage height (100 million m^3)	30.97	8.64	1.57	21.4	56.9	13.8	6.2	13.8	8.47	161.75
Regulating reservoir capacity (10^8 m^3)	20.97	4.9	0.85	13.5	36.6	5.1	3.8	5.62	1.55	92.89
Regulatory capability	(a)	(b)	(c)	(a)	(a)	(b)	(b)	(b)	(c)	
Useful head (m)	142	135	75	130	185	81	68	82	60	958
Installed capacity (10 MW)	36	51	32	84	200	76	80	120	120	799
Guaranteed generating power (10MW)	13.2	22.2	14.1	36.84	73.76	28.7	31.8	42.4	32.8	295.8
Yearly output (10^{8}kWh)	13.36	30.0	19.38	46.72	87.7	38.4	39.5	66.11	58.8	399.97
Number of displaced people	12750	8018	52	10633	4540	8746	10100	17030	10660	82529
Arable land flooded	10170	8450	250	20930	7443	10134	7000	10141	8070	82588
Maximum dam height (m)	157	168	111	165	236	112	88.5	119		

Key: a) Year-round; b) Seasonal; c) Daily.

Notes: (1) Although the energy figures listed are related to the discharges, the regulatory effects of the Hongjiadu, which supplements the discharges at the other downstream stations, have been omitted; if included, the total guaranteed power would be much higher. (2) The flooding figures for Hongjiadu and Goupitan are currently under review. (3) The normal water storage height at Hongjiadu may be increased to 1,140 - 1,150 meters in order to enhance the regulation at the stations downstream.

2. Conditions Are Favorable for Reservoir Regulation With Little Flooding Losses

Regulated reservoirs are needed for the rational exploitation of hydropower resources and should be allowed for in development plans.

The results of numerous surveys and research carried out over a period of years went into the formulation of the preliminary draft for the nine-cascade river project; these results address the problem of building reservoirs of adequate size on as little arable land as possible so that as few people as possible are displaced. The advantage of this plan is that it calls for constructing a power station (the Hongjiadu) with a year-round regulable reservoir on the Beiyuan Liuchong He; a dam 140-160 meters high should suffice to form a reservoir with a capacity of 3.1 - 4.45 billion cubic meters which can be used to supplement and regulate the water supply of the downstream cascades. In this manner, excess water can be stored and released by the dam for use during the dry season, so that the power-generating stations downstream will be supplied with an adequate flow of water. In addition, a reservoir of capacity 5.69 billion cubic meters is planned for Goupitan on the middle reaches of the river, and it can also be used for regulation. Except for the Suofengying and Wulong (or Daxikou) cascades, which have only small reservoirs, all the other cascades are to have reservoirs large enough to regulate the flow through the respective stations. The total reservoir capacity of the nine hydropower cascades is to be 16-17.5 billion cubic meters, which amounts to 31-34 percent of the annual flow; this percentage is the same as for the stages used on the Hongshui He and should therefore permit effective regulation. Moreover, in its upper and middle reaches the main stream of the Wu Jiang flows through sparsely populated areas where there is little cultivation; furthermore, although the lower reaches pass near several large cities and towns (such as Sinan, Yanhe, Pengshui, etc.), the plans are designed to avoid flooding these heavily populated and cultivated areas. Preliminary surveys indicate that the nine cascades will flood only 80,000 mu and displace 80,000 people (even if one allows for underestimates of flooding in previous surveys of the Hongjiadu and Goupitan hydropower stations, the estimates for the flooded area and displaced population remain below 100,000 mu and 100,000 people respectively). Compared with the benefits of having a hydropower base with a total installed capacity of 8 million kilowatts, this is a relatively small price to pay--100 mu of flooded land and 100 displaced people for every 10 megawatts. These losses are far less than the 2,300 mu and 1,500 displaced people per 10 MW for existing stations and the 390 mu and 430 displaced people per 10 MW for stations now under construction; moreover, they are even lower than the values for the upper reaches of the Hongshui He and Huang He, which are well known as rich sources of hydropower (see Table 2). The plans calling for multiple hydroelectric stations on the mainstream of the Wu Jiang thus represent a breakthrough in that they provide for regulatory reservoirs while minimizing flooding losses.

3. Scale and Geographic Location of the Stations Are Suitable

The region through which the Wu Jiang flows is rich in minerals and contains a large fraction of the coal, aluminum, phosphorous, mercury, lead and zinc found in China, and the construction of a heavy industrial base now underway is greatly increasing the demand for power. The river region proper is bounded to the north by eastern Sichuan and to the east by western Hunan, both of which have a critical need for electric power.

The mainstream of the Wu Jiang is situated quite close to the major power-using centers--the sites of the hydropower stations planned for the upper and middle reaches of the Wu Jiang lie just 50 - 130 kilometers from Guiyang and Zunyi (measured linearly); their distance from Chongqing ranges from 160 to 300 kilometers. The stations on the lower reaches are approximately 500 kilometers from Changsha, which again lies within the range for effective power delivery. With the construction of the hydroelectric stages on the mainstream of the Wu Jiang, China will have a hydroelectric power base for supplying Guizhou, Sichuan, and Hunan Provinces.

The installed capacities of the stations (generally between 500 and 2,000 megawatts) suffice to meet the growth in power demand and are realistic given China's present capabilities.

4. Preliminary Work Has Already Been Done and the Plans Are Geologically Feasible

Since the Revolution in 1949, the various departments in China concerned with surveying and planning have earnestly and repeatedly studied plans for developing the mainstream of the Wu Jiang, and a great deal of groundwork has already been completed. Preliminary statistics indicate that up to the present time, 140,000 meters of holes have been drilled and 12,600 meters of tunnels bored at 12 of the dam sites previously studied; this is in addition to a great deal of activity in compiling all types of scale maps showing the geological features of the area. The surveys and experimental work have added to our knowledge regarding the engineering, geological, and hydrological conditions on the Wu Jiang. The mainstream of the Wu Jiang is deep and the strata beneath the river bed are thin; for the most part, seepage is confined to small areas in the reservoir regions, and all of the dam sites have water-impermeable strata that ensure reliable water retention. The bases of the dams will rest on a thick layer of limestone suitable for supporting tall dams. Earthquakes are seldom severe (their intensity is at scale 6 or below); moreover, although natural construction materials are lacking, artificial aggregate materials are in plentiful supply. The foregoing discussion shows that the preliminary development plans are geologically sound. In the past, proposals to construct dams on the Wu Jiang were met with skepticism because of the numerous karsts present in the region. Now, however, with the Wujiangdu hydropower station already successfully completed and construction of the Dongfeng station formally under way, we have gained valuable experience in dam construction in karst regions, and it has become clear that if the surveying and planning work is carried out meticulously, the technical means are available for building dams in karst regions.

5. Less Engineering, Low Cost per Kilowatt

Because of the favorable topography at the dam sites on the Wu Jiang, the size of the construction centers will be relatively small and the cost per kilowatt will be quite low. The Wujiangdu hydropower station, which was completely finished in 1983, has an installed capacity of 630 megawatts and cost 588 million yuan; the cost per kilowatt (993 yuan) compares favorably with other large hydropower stations which have come on-line in recent years. Budget estimates for the Dongfeng station, with an installed capacity of 510 megawatts, give a cost of 660 million yuan, or a relative cost of 1,290 yuan per kilowatt, which is also quite low compared with the costs at other large and mid-sized hydroelectric stations. In addition, preliminary plans have been proposed for the Pengshui and Goupitan stations to have installed capacities of 1,200 megawatts and 2,000 megawatts, respectively, at a cost of 1.44 billion and 2.18 billion yuan, corresponding to 1,200 yuan and 1,090 yuan per kilowatt, respectively. Again, these values are quite good.

Table 2

River section	Hongshui He	Huang He (from Longyangxia to Qingtongxia)	Wu Jiang
Number of power stations	10	15	9
Installed capacity (10 MW)	1112	1246.4	800
Yearly output (10^8kWh)	603	500.6	400
Farmland flooded (10^4 mu)	16.43	34.11	8.25-10
Persons displaced (10^4)	18.03	18.43	8.25-10
Relative flooded area (mu/10^4 W)	148	273	103-125
Relative displaced population (people/10^4 W)	162	148	103-125
Flooding/energy ratio (mu/10^8 kWh)	272	681	206-250
Displacement/energy ratio (people/10^8 kWh)	299	368	206-250

6. Improved River Navigation

The main stream of the Wu Jiang is full of shoals and rapids and the river channel is narrow, which accounts for its notoriety as a dangerous river for navigation. The 485 kilometers of river channel between Wujiangdu and Longtan contains 355 shoals of various sizes which pose great difficulties to navigation. Dredging operations begun after liberation in 1949 have made it possible for passenger and cargo vessels in the 20-100 tons class to navigate the 450-km-long stretch of river between Dawujiang to Fuling; however, the shallowness and narrowness of the river bed, the sharp bends in the river, and other difficulties continue to rule out all but seasonal travel upstream from Longtan. As a result, navigation remains restricted in the Guizhou interior and in Sichuan, and boat travel is very inconveneint. With the construction of the multistage hydropower project on the main stream of the Wu Jiang, however, some of the shoals will be flooded and the river bed will be broadened and deepened; at the same time, navigation on the middle and lower reaches of the Wu Jiang will be facilitated by dredging and by the regulatory action of the reservoirs, which supplement the river discharge during dry spells. This will make it possible to link Guizhou Province by water transport to the mainstream of the Chang Jiang.

Conclusions

To summarize, we believe that conditions are exceptionally favorable for the development of the Wu Jiang. A great deal of waterpower is available with minimal flooding losses, the cost/power ratio is low, the geological conditions are favorable at the dam sites, the geographic features are good, and navigation conditions on the Wu Jiang will be improved. Upon completion, the project will turn the Guizhou-Sichuan-Hunan region into a hydroelectric power base. Moreover, the economic growth of this region also requires that the pace of development of the Wu Jiang be quickened. The pr-sent task to compile the various plans and reports into a final document to clarify as quickly as possible the policy and procedural issues involved. If the development of Wu Jiang multistage power project is pursued steadily in the future, there is reason to hope that the river can be transformed into a hydropower base within the next 20-25 years.

12617/12232
CSO: 4013/59

HYDROPOWER

U.S. SAID EAGER TO SUPPORT THREE GORGES PROJECT

Hong Kong TA-KUNG PAO in Chinese 15 Mar 86 p 2

[Text] U.S. Department of Energy Secretary Herrington met with Premier Zhao Zhiyang in Beijing yesterday. Herrington said that on this trip he proposed to China the U.S. willingness to supply technology, equipment, and scientific/technological know-how and to cooperate with China to build the huge Three Gorges hydroelectric plant.

The day before yesterday, Herrington met with China's Minister of Water Resources and Electric Power Qian Zhengying to discuss the Three Gorges project. Yesterday, Zhao Zhiyang told Herrington that China had already begun preparatory work on the Three Gorges hydroelectric project, but there are some economic and technical aspects which have to be advanced for discussion. Zhao Zhiyang added that China wants to cooperate with foreigners for technology, equipment, and acpital for the Three Gorges project.

On this visit, Herrington is seeking advice and also is going to Sichuan to inspect the Three Gorges site, reflecting the firm desire of U.S. firms to try to find a way to participate in the building of this enormous, world-class hydropower station.

The Sino-U.S. nuclear cooperation agreement had a lot of problems until last year, when it was finally signed. Aspects of Chinese development of nuclear power plants and Western Europe moving ahead of the United States were connected to the U.S. Congress's delay in approving the Sino-U.S. nuclear power cooperation agreement. Herrington's visit to China exactly coincides with China's stepped-up preparations to build the Three Gorges hydropower station and both sides hope to cooperate in some fashion on this project.

The State Council recently approved the establishment of a provincial administrative division for Sanxia. The area includes the area east of Wan Xian in Sichuan and west of the town of Yichang in Hubei, a total of 34 towns. The Gezhouba project is already producing electricity. From now on, China will take advantage of this source of electric power to develop the Sanxia key water conservation project with an investment of over 10 billion yuan.

The decision to create the new administrative region would almost certainly signal the beginning of the Three Gorges project. This is one of the world's largest hydroelectric projects and will satisfy China's hopes regarding energy shortfalls. The Chang Jiang has unlimited hydropower resources. The Chinese have dreamed for decades of a Sanxia hydroelectric station and finally it is becoming a reality.

But to build the world's largest, most modern hydropower station, it will not be easy for China to handle the financial resources, technology, and equipment. China hopes to cooperate with foreigners and this means giving foreign industry mutual benefit. Thus, Chinese-foreign discussions on cooperation will surely be a tortuous process. After Herrington's trip to Beijing and his inspection trip to the Three Gorges in Sichuan, he predicted that those concerned with a China-U.S. project will begin contacts.

It has been reported that the U.S. Department of Commerce is willing to spend U.S.$2 million toward a Three Gorges project feasibility study, demonstrating U.S. interest in cooperating with China on this project. Herrington is the secretary of the Department of Energy. Energy is the major constraint in China's economic development. In the future, China and the United States could have much to do in cooperating on energy on a principle of mutual benefit.

13226/6662
CSO: 4013/100

HYDROPOWER

BIDDING BEGINS ON FUJIAN'S SHUIKOU PROJECT

OW051911 Beijing XINHUA in English 1541 GMT 5 May 86

[Text] Fuzhou, 5 May (XINHUA)--International bidding on the civil engineering work on the Shuikou hydroelectric power station in east China's Fujian Province began today.

More than 30 companies from Brazil, France, Federal Germany, Italy, Japan, Spain, the United States, and China have sent representatives to Fuzhou, capital of Fujian Province, to compete for contracts. Their bids will be opened in 70 days.

The scheme, the biggest in China to be financed by the World Bank, is one of the country's key construction projects for the Seventh Five-Year Plan (1986-1990).

The power station, to be built on the Min Jiang, will have a generating capacity of 1,400,000 kilowatts.

/8309
CSO: 4010/51

HYDROPOWER

HUNAN BEGINS CONSTRUCTION OF 1200MW WUQIANGXI PROJECT

HK090301 Changsha Hunan Provincial Service in Mandarin 2200 GMT 6 May 86

[Text] The construction of Wuqiangxi hydroelectric station -- one of the key projects in the Seventh 5-Year Plan of our country -- started yesterday morning [6 May]. The Wuqiangxi hydroelectric station is situated on the upper reaches of the Yuan Shui on the borders of Taoyuan and Yuanling counties. At present, a road leading to the site has been basically completed and a construction command set up.

Interviewed by a reporter of this station at the worksite, Lu Youmei, Vice Minister of Water Resources and Electric Power, said: The installed capacity of Wuqiangxi hydroelectric power station will be 1.2 million kilowatts and its annual electricity output 5.5 billion kilowatt-hours. In the east region of China, it ranks next to the Gezhouba power station. This power station will be completed in 1994. After its completion, it will not only increase electricity output but also regulate the flow of the Yuan Shui and alleviate the threat of floods in the Dongting Hu region.

/12624
CSO: 4013/121

HYDROPOWER

BRIEFS

TIANSHENGQIAO POWERHOUSE UNDER WAY--Construction recently began on the powerhouse of the Tianshengqiao hydropower station (second cascade) in Guangxi Province--a major state project. Situated as it is on the bank of the river with a 220-meter-high, 30-degree slope, construction will be quite difficult. Six 220,000-kilowatt generators are to be installed in the station (for a total installed capacity of 1.32 million kW), the first of which is scheduled to become operational in 1989. When completed, the station will generate some 8.2 billion kilowatt-hours of electricity a year. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 20 May 86 p 3] /12232

CSO: 4013/127

THERMAL POWER

SHAJIAO-B BEING RUSHED TO COMPLETION

Guangzhou NANFANG RIBAO in Chinese 6 Apr 86 p 2

[Excerpt] On the construction site of the Shajiao-B plant, an army of more than 1,500 Chinese and foreign workers and technicians are working 'round the clock on an accelerated schedule. Most of the foundation work has been completed and the main plant buildings are beginning to take shape. It is projected that the first 350MW generating unit could be a producing power by "7-1" of 1987.

Situated on the Pearl River Estuary at Hu Men, Dongguan, Shajiao-B will have a total installed capacity of 700,000 kilowatts. It is a joint project on the part of the Shenzhen Special Economic Zone Power Development Company and the Hong Kong company of Hopewell Power (China) Ltd. Ground was broken on this plant on 28 September 1984 and construction officially got under way on 1 July 1985. Total investment will be HK $3.2 million and the equipment is imported from Japan. When completed the plant will generate 3.6 billion kilowatt-hours of electricity a year (calculated on 60 percent capacity). This project is a joint effort on the part of the Hong Kong Hopewell Construction Company Ltd., general contractors, five technically capable Chinese construction companies, and the Hong Kong Sliding Form Construction Company. The plant buildings require an area of 400,000 square meters, all of which had to be created from fill. With herculean effort, the construction workers had managed to complete the huge earth and rock moving task by the end of June 1985, creating a landfill of some 1.3 million cubic meters. After this they began pouring the concrete for the main plant buildings and the boiler foundations.

/9869
CSO: 4013/128

THERMAL POWER

BRIEFS

SHALINGZI UPDATE--Work on the Shalingzi power plant, a major state project located in the suburbs of Zhangjiakou, began today [15 April]. This power plant has a design installed capacity of 2,400 megawatts. When completed, it will play an important role in supplying electricity to Beijing and the North China region. [Text] [Shijiazhuang HEBEI RIBAO in Chinese 16 Apr 86 p 1] /8309

800 MW XINJIANG PLANT--Urumqi, 1 May (XINHUA)--Work started today on a thermopower plant with a designed capacity of 800,000 kilowatts in Manas County, Xinjiang Yugur Autonomous Region. The station, which will be the largest in Xinjiang, will supply electricity to Urumqi and the Karamay oil field. It is a key regional project being for the Seventh Five-Year Plan period (1986-1990). [Text] [Beijing XINHUA in English 1608 GMT 1 May 86 OW] /9738

SHAJIAO UPDATE--Work has been stepped up on the "Shajiao-A" thermal power plant in Shandong Province. Today, the first 200,000-kilowatt generator has been installed in the plant, a major construction project for Shandong. The total installed capacity of the Shajiao A plant is 1.2 million kilowatts and the investment in the first stage (600 megawatts) will be 800 million yuan. The plant is scheduled for completion in 1988. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 20 May 86 p 3] /12232

CSO: 4013/127

COAL

COAL MINISTRY RESTRUCTURES ECONOMIC SYSTEM, UPS OUTPUT

OW191425 Beijing XINHUA Domestic Service in Chinese 0701 GMT 14 May 86

[Excerpts] Beijing, 14 May (XINHUA)--While restructuring its economic system and promoting coal output, the Ministry of Coal Industry has persisted in improving the conduct of its party members. The improvement of the party members' conduct has resulted in ensuring reform and enhancing coal production.

The coal industry has scored remarkable achievements in restructuring its economic system in recent years. Some people in certain units, however, took advantage of certain loopholes in reform and behaved improperly, such as by lavishing public money on food and drink, indiscriminately issuing bonuses in cash and in kind, purchasing imported luxury cars, and so forth. The ministry's leading party group maintained that, unless these irregularities were promptly curbed, they would obstruct reform and dampen the masses' production enthusiasm. The ministry's leading party group thus took firm steps to improve party conduct while expediting reform and production, considering all these matters equally important. When the ministry's departmental and bureau directors met in Changchun last July to discuss how to carry out the various reform projects, they were also informed of the several cases of indiscipline and were urged to take clear-cut measures to deter unwarranted issuances of bonuses and subsidies and discourage lavishing money on food and drink.

The Ministry of Coal Industry made it a practice to act firmly and promptly in dealing with whoever took advantage of reform and misbehaved. When the bonus system was reformed, the leading cadres of some enterprises used the opportunity to seek personal gains. In 1984, 158 leading cadres at and above the departmental level of the Yaojie Mining Bureau were given bonuses averaging 2,049 yuan each, or 5.8 times more than the average bonus a staff worker of the bureau got that year; each of the six bureau-level cadres received an average bonus of 3,564 yuan, with the highest bonus being 4,344 yuan. The ministry and Gansu Province, where the mining bureau is located, took decisive steps to deal with this typical case. They reorganized the mining bureau's leading group, dismissed those who deserved to be dismissed, and reprimanded those who should be reprimanded. Those who were issued more bonuses than they deserved were instructed to reimburse the bureau.

Thanks to the improvement of party conduct and the attention given to restructuring the economic system and promoting production, such unhealthy practices as lavishing money on food and drink, issuing unwarranted bonuses in cash or in kind, purchasing imported luxury automobiles, and improperly accepting cash or gifts have been stopped in units of the Ministry of Coal Industry in Beijing. Many people have been commended for having deterred unhealthy practices.

The improvement of party conduct has promoted coal production, and the situation in the coal industry has become increasingly promising. Contrary to the previous practice of needing more people in order to increase output, coal mines whose output is distributed by the state increased their coal output by 11.56 million metric tons last year even though the number of their workers and staff had been reduced by 110,000.

/6091
CSO: 4013/130

STATE-RUN MINES EXCEED TARGET IN FIRST QUARTER

HK170748 Beijing CHINA DAILY in English 17 Apr 86 p 2

[Report by Staff Reporter Xu Yuanchao]

[Text] China's state-owned mines produced 104 million tons of coal in the first quarter of the year, exceeding their target by 3.5 million tons, the Ministry of Coal Industry announced yesterday.

The first quarter output accounts for 25.13 percent of the 1986 plan. A bigger increase in production may be seen in the second quarter, a ministry official said.

The industry as a whole produced 870 million tons of coal last year, but the plan for this year set output no higher than last year, the official told CHINA DAILY.

Of the year's target, 420 million tons will be produced by state-owned coal mines and 450 million tons by local mines. In the past, production by local mines made up 40 percent of total output.

The small coal mines run by local governments,townships, and individuals are mainly located in Shanxi, Henan, and Hebei provinces. "The small coal mines have developed very fast in recent years, but it is difficult to estimate how much they can increase output this year," the official said.

He attributed the development of small mines to a policy of encouragement by the state which urges local governments to open small mines, while the state provides some funds for roads to the mines.

Output from small mines run by individuals is about 15 million tons, but the working life of small mines is short because of unsafe working conditions and manual production methods.

The state had earmarked 5.3 billion yuan this year for capital construction in the coal industry. The funds will be used to open up a number of modern mines and to upgrade some old ones. About 40 percent of the funds will be used for training, housing, manufacture of mining equipment, and scientific research.

He said the government planned to curtail investment in capital construction in the first 2 years of the current 5-year plan. Some mines with a small annual capacity would be shut down because of a shortage of funds.

/12929
CSO: 4010/48

COAL

STOCKPILES GROW AS TRANSPORTATION BOTTLENECKS CONTINUE

HK210125 Beijing ZHONGGUO XINWEN SHE in Chinese 1448 GMT 20 Apr 86

[Text] Beijing, 20 Apr (ZHONGGUO XINWEN SHE) -- Our correspondent has learned from the Ministry of Coal Industry that as of the end of March state coal mines in China had a total stockpile of 13.33 million tons, over 2.2 million tons more than at the same time last year.

According to our information, the shortage of transport is the main reason for the coal stockpile. Some mining areas can only ship out on a day the coal they produce that day, and can do little about the accumulated stockpiles they have on hand. Long periods of stockpiling have caused phenomena such as spontaneous combustion and run-off.

The biggest stockpiles of coal now are in Shanxi Province, where over 4.64 million tons are stockpiled, mainly at the Datong, Yangquan, Huoxian, and Fenxi mines. Shanxi is followed by the Northeast-Nei Monggol coal industry combine, where over 3 million tons are stockpiled, mostly at Heilongjiang's Xixi, Hegang, and Qitaihe mining areas.

The Chinese railroad departments are currently doing everything possible to improve coal transport capacity. Construction of three main railroads in north, east, and south China for transporting coal from west to east is being stepped up. Tracks are now being laid on the line from Datong to Qinhuangdao, which will mainly transport coal, and the electrification of the Fengtai-Shacheng-Datong, Shijiazhuang-Taiyuan, and Taiyuan-Jiaozuo lines, which ship Shanxi coal out of the province, will be vigorously tackled this year. Double-tracking of the Shuoxian-Datong section of the North Tongpu line, which is being undertaken in association with the development of the Pingshuo coal field, will be completed this year. By 1990, the transport capacity to ship Shanxi coal out of the province will reach 270 million tons, 150 million tons more than last year.

Work has also started on the Xingan tunnel on the Binzhou line and the Ducao tunnel on the Binsui line, both in northeast China, with the aim of improving coal transport capacity in the eastern and northern parts of the region. Double-tracking is also being carried out on those lines section by section. The departments concerned are also dredging the Huang He ship channels in order to develop waterway coal transport.

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CSO: 4013/108

COAL

HENAN LAYS PLANS FOR COMPREHENSIVE USE OF COAL

Zhengzhou HENAN RIBAO in Chinese 3 Mar 86 p 4

[Excerpts] Henan is very rich in coal resources and by developing pit-mouth thermal power, coal is transformed into electricity on the spot. This not only solves the long-term electricity shortage of the province's agricultural and industrial production, but makes it possible to transmit electricity out of the province which is more profitable than shipping out coal. It could relieve the strained railroad situation and reduce coal mine overstock. At the same time, developing comprehensive use of coal could spur new industrial development. Therefore, concentrating on electricity generation and the comprehensive use of the province's vast coal resources should become a major guiding ideology for Henan's economic development strategy. In the past, we were unclear about this and for a long time, we sold coal and bought electricity; electricity produced by coal was flowing in the wrong direction and coal resources were overstocked. This is both wasteful and irrational. For example, the electric power shortage in Henan in 1984 was 2.4 billion kWh and in 185 it was even more. This loss of several billion kWh of electricity even affects electricity usage for urban life. In April 1984, when Comrade Hu Yaobang came to inspect Henan, he pointed out, "The on-site transformation of coal to electricity is most economical. From now on, for the next 10 to 20 years, Henan's annual increase of 600 megawatts will equal one-tenth of the national annual increase in electric power." His words made us think: In energetically developing small thermal power bases, we should concentrate on the comprehensive use of coal. From the reality of the situation of our province, the writer considers that during the Seventh Five-Year Plan, and even during the next 10 to 20 years, we should concentrate manpower, material resources, and financial resources in western Henan, northern Henan (Jiaozuo area), and southern Henan (the Pingdingshan area). Because these three regions have coal and water, they have ready-made thermal electric bases; add to this convenient transportation, and we can start quickly and produce results. For example, in western Henan, power plants could be built at the pit mouths and road junctions, effecting local transformation of coal and water resources. We could not only reduce the pressure of coal transport on the railways in Shaanxi, Shanxi, and Henan, but also satisfy the electrification power need of railroads in these regions. Another aspect is that we can ship less coal and transmit more electricity, not only easing the burden on Shaanxi and Shanxi, but also quenching eastern China's thirst for electricity. In this way, we can further improve social benefits and comprehensive economic benefits. From the point of view of the province, by concentrating on the comprehensive use of coal, in the near future we can alleviate the contradiction between energy consumption and demand and greatly resolve the serious situation in buying electricity over the long term. Because of power shortages, production capacity cannot be fully utilized, representing an annual loss of nearly 10 billion yuan, a loss which could be recovered through the above measures. Another aspect is the increased benefit from, and reduced waste of, coal resources. (According to calculations, 1 ton of raw coal has a more than 3-yuan profit margin. After dressing, the profit margin increases to 8 yuan. Taking as a basis the direct fuel value, production of coal tar increases the value 10 times; processing into plastics increases the value 90 times; dyes increase the value 370 times, and synthetic fibers increase the value even more.) Work on the preliminary stages of the large-scale thermal electric plant in western Henan has already begun. During the Seventh Five-Year Plan, Henan will finish the main construction at the three large thermal electric power bases at Yaomeng, Jiaozuo, and Shouyangshan, and the new construction at the Hebi power plant. Preliminary plans for the next decade include construction of a host of power plants in the three large thermal power electric bases. At the same time, we can use Shaanxi coal and Huang He water to build the Sanmenxia west power station, Yima coal and Huang He water to build the Yima power station, and Deenfeng coal and Yahekou Reservoir water to build the Yahekou power station. Moreover, we can expand and renovate a number of old electric plants and also develop some small thermal electric plants. By the end of the century, the estimated capacity could be nearly 15 million kilowatts; western Henan's electric power generation alone could satisfy the needs of the whole province.

13226/6662
CSO: 4013/100

COAL

HUAINAN TO BECOME 'ENERGY CITY' OF EASTERN CHINA

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 12 May 86 p 1

[Excerpt] According to a report in JIEFANG RIBAO [LIBERATION DAILY], Huainan City will become the largest 'energy city' in the East China region. In the Sixth Five-Year Plan, the state invested some 3 billion yuan and in the Seventh Five-Year Plan an additional 500 million yuan a year will be spent on developing Huainan coal and electric power.

Huainan's coal resources are enormous, with 14.6 billion tons having been verified; in the last 30 years, Huainan has supplied 260 million tons of coal to the nation. During the Sixth Five-Year Plan, the 3-million-ton-a-year Pan-1 mine became operational and in 1985 Huainan produced some 9.6 million tons of [raw] coal. In the Seventh Five-Year Plan, construction will continue on the mammoth mines of Pan-2, Pan-3, and Xieqiao-3, whose total capacity will be 10 million tons a year. Three coal dressing plants with a capacity of 3 million tons will be built concurrently. Also during the Seventh Five-Year Plan, three very large mines with an annual capacity of approximately 4 million tons will be started. By 1990, Huainan will be producing more than 14 million tons of coal a year.

Making use of its superior coal resources, Huainan is exerting a major effort to develop pit-mouth power plants. Today, Huainan is in the first stage of construction on the two power plants of Luohe and Pingyu, with installed capacities of 600 megawatts and 1,200 megawatts respectively. Luohe already has its first 300MW generator in operation. Before the end of the Seventh Five-Year Plan, Huainan's total installed capacity could reach 2,400MW for an annual power output of 16 billion kilowatt-hours of electricity, representing about 10 percent of the output of the East China Grid.

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CSO: 4013/128

COAL

HUAINAN TO GREATLY INCREASE PRODUCTION

OW120412 Beijing XINHUA in English 0154 GMT 12 May 86

[Text] Beijing, 12 May (XINHUA)--Huainan City, a major coal producer in Anhui Province, will increase its annual output from the current 9.6 million tons to more than 14 million tons in 1990, to become the largest coal producer in east China, today's LIBERATION DAILY reported.

The city, north of the province's capital of Hefei, will develop three more large mines in the next 5 years with an annual production capacity of 4 million tons each, according to the Shanghai-based paper.

The state will invest 3 million yuan in the exploitation of the city's coal and electricity resources during the Seventh Five-Year Plan (1986-90), equal to the investment during the past 5 years.

Taking advantage of its rich coal resources, Huainan will also develop its power [plants]. By 1990 the city is expected to generate 16 billion kWh, which will account for about 10 percent of the total generating capacity of the eastern China area, the paper said.

/8309
CSO: 4010/51

COAL

BRIEFS

SHANDONG DISCOVERY--Huge coal deposits have been found beneath the Weishan, Zhaoyang, Dushan, and Nanyang lakes in southwestern Shandong Province. The Shandong Coal Field Geological Prospecting Company has verified these reserves to be in the neighborhood of 2.5 billion tons. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 17 May 86 p 3] /12232

LIANG HUAI EXPORTS--Hefei, 28 April, XINHUA SHE--The Liang Huai mining district in Anhui Province exported more than 500,000 tons of coal in 1985, generating some 26 million dollars. On this springboard, exports in the first quarter of 1986 exceeded those of the same period of 1985 by 28 percent. Coal resources in the Liang Huai mining district are enormous, with many varieties of excellent quality. The district is only a little more than 300 kilometers from Lianyungang and can be transported directly from the pit mouth to the docks of this port by truck. The coal has a low ash content and high heat yeild and is purchased by traders in Japan and Southeast Asia. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 30 Apr 86 p 3] /12232

NEW SHAANXI FIND--Beijing, 6 May (XINHUA)--A coal field with over 9 billion tons of reserves has been found in Binxian County in northwest China's Shaanxi Province. [Text] [Beijing XINHUA in English 1432 GMT 6 May 86 OW] /12232

200-BILLION-TON FIELD REPORTED--Xi'an, 7 May, XINHUA SHE--The overall development plan for the Shenfu coal field in northern Shaanxi Province--said to be one of the world's seven major fields--was recently approved in principle by the mining region's overall planning review commission organized by the Ministry of Coal Industry. The Shenfu coal field is a mammoth one verified in the last few years. Within the 20,000-square-kilometer field are reserves approaching 200 billion tons. The field's geological structure is simple and the layers are stable and at shallow depths. The coal is low-ash, low-sulphur, and low-phosphorus coal with high heat output. Experts predict that by the end of the century, the Shenfu coal field will constitute China's biggest coal base for motive-power and export coal. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 9 May 86 p 1] /8309

NEW HEILONGJIANG FIELD REPORTED--Recently, the Northeast-Inner Mongolia Coal Industry Joint Company's geology department discovered a new coal field at Dashiqiao, Jixi City, Heilongjiang Province. Preliminary exploration shows that the field has an area of some 60 square kilometers and the seams are about 10 meters thick. The coal is brown coal and the reserves are approximately 500 million tons. The coal is buried at a depth of 400 meters; geological conditions are excellent, facilitating exploitation. Also, the geology department has found another coal field at Jiudaoling in Yi Xian, Liaoning Province with reserves of 50 million tons. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 15 Mar 86, p 1] /9604

VAST SHAANXI FIELD VERIFIED--A large coal field with an estimated reserve of 9 billion tons has been verified in Binxian County, in central Shaanxi. [Text] [Beijing XINHUA in English 1100 GMT 1 May 86 OW] /9738

XINJIANG STRIP MINE--Urumqi, 13 May (XINHUA)--Construction will start next year on an open-cut coal mine 30 kilometers from this capital of the Xinjiang Uygur Autonomous Region, a regional official announced today. The Tiechanggou mine will have an annual production capacity of 1,500,000 tons upon completion in the next 5 years, the second largest open-cut mine in the region. The biggest is the Sandaoling mine, which went into production in the 1970s. The area around Urumqi has 7 billion tons of verified coal reserves out of the region's total of 18.3 billion tons. [Text] [Beijing XINHUA in English 1352 GMT 13 May 86] /9604

CSO: 4010/52

OIL AND GAS

NEW TECHNOLOGY MAINTAINS FLOW OF HUABEI CRUDE

OW161233 Beijing XINHUA in English 0941 GMT 16 Apr 86

[Text] Shijiazhuang, 16 Apr (XINHUA)--The Huabei oil field has adopted new technology to maintain an annual output of 70 million barrels, as it has over the past 10 years, according to oil field officials.

The third-largest in China, the oil field, which opened in 1976, is of the buried hill formation type, which gives high output at the outset but has a fast depletion rate.

Output was as high as 85 million bbl in 1978, but in 1984 it decreased rapidly and was some 40 percent less than the 1978 figure.

To maintain steady output, the oil field adopted such techniques as pumping emulsifying acid into the wells to dissolve obstructions, and the application of a new chemical agent that controls the movement of water around the wells. Improved water-injection methods have helped restore the natural pressure, oil experts said.

Last year, the oil field pumped out 72.17 million bbl of crude oil, 770,000 bbl more than in the previous year.

Over the past 5 years, more than 218 technological achievements have been made, of which 177 have been applied to production.

The oil field now has some 3,500 technical personnel and is equipped with more than 500 sets of facilities and instruments for scientific research.

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CSO: 4010/47

OIL AND GAS

QINGHAI'S QAIDAM BASIN STEPS UP PROSPECTING EFFORT

OW081445 Beijing XINHUA in English 1349 GMT 8 May 86

[Text] Xining, 8 May (XINHUA)—Chinese geologists have stepped up exploration for oil in the Qaidam Basin in Qinghai Province which promises to be one of the most oil-rich regions in China.

In recent years, Qinghai Province has imported oil exploration equipment from the United States, including seismic survey vehicles, and electronic computers, and cooperated with the Geosource Company, U.S.A. in an extensive search for oil in the basin.

Up to the present, the province has verified geological reserves of up to 200 million tons, including the record find of 19 million tons last year, according to the provincial oil administration.

Geologists used helicopters and advanced instruments and meters to obtain a large amount of petro-geological data in some inaccessible areas.

Qaidam Basin is one of four inland basins in China, with sediment strata covering more than 120,000 square kilometers. It is believed to be one of the most promising oil-rich regions in the country.

To date, geologists have verified 47 oil fields and 5 gas fields with an estimated reserve of 8.9 billion cubic meters in addition to hundreds of oil potential strata and structures.

The province has decided to explore for 400 million tons of geological oil reserves in the next 5 years, according to a plan worked out recently.

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CSO: 4010/52

OIL AND GAS

IMPORTS OF SEISMIC EQUIPMENT FOR OIL EXPLORATION TO CONTINUE

HK111219 Beijing CHINA DAILY in English 11 Apr 86 p 2

[By Staff Reporter Xu Yuanchao]

[Text] China will continue to build up its seismic expertise and import state-of-the-art equipment despite declining income as a result of the current world oil glut.

Cai Peijian, deputy chief engineer of the Petroleum Ministry, told an OPSEIS (Optimum Seismology) users conference in Beijing that although income from crude oil exports has dropped, China will earmark some funds for developing the seismic expertise vital to China's future oil exploration programme.

The users conference, the first of its kind, was sponsored by Applied Automation Inc (AAI), a subsidiary of the Philips Petroleum Company of the United States.

The conference's main purpose is to use combined experience to solve field problems encountered during the first 2 years of operation and to transfer the knowledge of how to use an OPSEIS system.

Lee de Martino, AAI general manager, said at the meeting that his company would be concluding a memorandum of understanding for an OPSEIS service center in Beijing during his visit.

The center, staffed by Chinese personnel, will eventually provide an information network allowing the Oklahoma-based company to pass on new product developments and improved operational techniques to the Chinese.

De Martino said: "The world seismic industry is currently in a dramatic downward cycle. Many companies throughout the world are doing business at below cost and many are going bankrupt.

"We took a hard look at our business as early as 1982 and began to tighten our belts, slashing costs while increasing the efficiency and productivity of our work force. This has helped us remain in a profitable position during these difficult times," he said.

De Martino told CHINA DAILY that China had bought seven complete OPSEIS systems, valued at 13 million. These systems are now used in "mountainous regions, transition zones and shallow water" in six different areas including Nanjing, Sichuan Province, Shengli beach, Renqiu and Dagang oil fields.

/12929
CSO: 4010/46

OIL AND GAS

EXPLORATION CONTINUES DESPITE MARKET CRISIS

OW050550 Beijing XINHUA in English 0531 GMT 5 May 86

[Text] Beijing, 5 May (XINHUA)--Despite the tumbling of world oil prices, foreign firms are continuing with their involvement in the exploration of China's offshore shore oil resources, according to a senior official of the China National Offshore Oil Corporation (CNOOC).

No foreign participants have so far withdrawn from their joint operations with China, said CNOOC deputy general manager You Dehua.

You attributed this to a series of "still more flexible methods" taken by China to attract foreign investment, including exemption of the fees for using oil fields with an annual production capacity of less than 7 million bbl [as received].

Chinese and foreign firms have verified 10 offshore oil and gas fields, he said.

One in the Bohai Sea, north China, has gone into partial operation and another in the Beibu Gulf in the south will start trial production in August. Feasibilities studies are going on for the exploration of the rest of the fields.

In addition, the route for a 1,000-kilometer pipeline from Hainan Island to Shenzhen in south China has been chosen.

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CSO: 4010/50

OIL AND GAS

NEW OIL EXPLORATION THEORY APPLIED AT SHENGLI

OW121931 Beijing XINHUA in English 1858 GMT 12 Apr 86

[Text] Jinan, 12 April (XINHUA) -- Testing a new theory about oil exploration, Chinese scientists have discovered oil and gas reserves throughout almost all the levels of the earth at the Shengli oil field, China's second largest.

The theory, which argues that levels of the earth include many elements, led to the discovery of 53 oil pools -- including 32 already in production -- in the Shandong Province oil field, an energy official said here today.

The new theory, which geologists call the "composite oil and gas reserve" theory, was developed by Li Desheng, chief geologist at the Planning and Research Academy of the Ministry of Petroleum Industry in Beijing.

Shengli, at the estuary of the [Huang He] produced 189 million bbls of oil last year, second only to the Daqing field in Heilongjiang Province which produced more than 700 million bbls.

Prospecting began at Shengli in 1964. Early findings encouraged geologists to sink two wells that eventually produced 3,885 and 7,000 bbls of oil per day.

But even though these and other wells were successful, petroleum geologists at Shengli frequently found no oil in spots where conventional theory predicted there would be substantial reserves.

More than a few scientists said traditional research could not accommodate the field's unusually complicated geological formations.

"Sometimes, water gushed out from strata believed to contain oil and gas," Yang Shenbiao, deputy director of Shengli's Geological Research Institute, told XINHUA today.

According to Yang, Li's new theory was welcomed by the geologists at Shengli. And under its guidance, high-yielding wells were sunk in places once believed to have no oil, he said.

Li's theory, which Yang said is not easily summarized, covers possible interrelations between adjacent levels of the earth.

This means, Yang said, "that there might be pools of oil right next to places where there is only water."

In line with the theory, geologists have come to believe the eastern part of the oil field -- a 12,000 square kilometer area known technically as the Jiyang Depression -- is rich in oil and gas, said Yang.

In that depression, according to the theory, there should be pools of oil at depths ranging from 600 to 6,000 meters.

Preliminary prospecting has confirmed projections based on the theory, Yang said. "And as a result, Japanese and U.S. geologists are beginning to take it seriously."

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CSO: 4010/46

OIL AND GAS

NATURAL GAS DEPOSITS DISCOVERED IN HENAN

OW171815 Beijing XINHUA in English 1815 GMT 17 Apr 86

[Text] Zhengzhou, 17 Apr (XINHUA)--Chinese geologists have discovered two coal gas-bearing structures in the Zhongyuan (central China plain) oil field, according to Henan Province petroleum authorities.

A test well completed recently shows that the gas-bearing layer is 120 meters thick.

As one kind of natural gas, coal gas is a new topic in China's geological exploration and study, the petroleum authorities said.

Zhang Wenyou, a noted geologist of the Chinese Academy of Sciences, decided to help the local petroleum administration study coal gas in 1983 when he visited the oil field. Zhang's decision was backed by the State Economic Commission.

After 3 years' intensive study, geologists of the oil field and other research institutes have prepared a report on the coal gas deposits.

/6662
CSO: 4010/49

OIL AND GAS

TWO SINO-U.S. JOINT VENTURES ESTABLISHED

OW160009 Beijing XINHUA in English 2127 GMT 15 Apr 86

[Text] Beijing, 15 Apr (XINHUA)--Sino-Fluor Engineers, a Chinese-U.S. joint venture which was set up here today, signed a contract for building a hydrocarbon tank [farm] for China's Daqing oil field.

Organized by the China Petrochemical International Company (SINOPEC International) and Fluor Engineers, Inc. of the United States, the new company will provide production facilities, pipelines, terminals, hydrocarbon processing, petrochemicals, synthetic fuels, power generation, and industrial and infrastructure services worldwide.

Three days earlier, another joint venture--the Hua-Lu Engineering Co. Ltd.--was established by SINOPEC International and the American Lummus-Crest Inc. It is mainly engaged in petroleum refining, petrochemical, natural gas, and power industries, offering project feasibility study, engineering design and a wide range of technical services.

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CSO: 4010/49

OIL AND GAS

U.S., JAPANESE CONSORTIUM HITS OIL IN PEARL RIVER BASIN

OW211916 Beijing XINHUA in English 1630 GMT 21 Apr 86

[Text] Guangzhou, 21 Apr (XINHUA) -- A foreign oil consortium has hit oil in an exploratory well in the Pearl River Mouth, which is pumping out 1,680 barrels a day, it was announced here today.

An official of the Nanhai (South China Sea) Eastern Petroleum Corporation said the well, sunk by the Pearl River Oil Operating Company, was the 10th oil-producing well to be drilled in the eastern part of the 147,000-square--kilometer Pearl River estuary.

The corporation is responsible for 103,000 square kilometers of the basin which is open to foreign bids.

The Pearl River Oil Operating Company comprises three firms from the United States and two from Japan.

Chen Sizhong, chief geologist of the Chinese corporation, said the new well was 240 kilometers southeast of this Guangdong provincial capital.

He said: "It is only 1 kilometer from the "Zhu-5 exploratory well, which produces about 1,400 barrels a day, and which was drilled by the Chinese Ministry of Geology and Mineral Resources 7 years ago.

"I think the two wells belong to the same oil-bearing structure, where we are likely to make new oil and natural gas discoveries."

He added that there were good prospects for oil and gas exploration in the eastern part of the basin.

Four of the seven exploratory wells drilled since the beginning of the year had hit oil, and four new oil-bearing structures had been found.

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CSO: 4010/48

OIL AND GAS

MORE PRODUCING WELLS DRILLED IN PEARL RIVER ESTUARY

HK230846 Beijing ZHONGGUO XINWEN SHE in Chinese 1447 GMT 21 Apr 86

[Report: "Twelve Oil-Yielding Wells Drilled in Basin Near Zhu Jiang Estuary" --ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 21 April (ZHONGGUO XINWEN SHE)--China National Offshore Oil Corporation today announced that oil and gas had been found in the Xi Jiang 34-3-1 well recently drilled in the Zhu Jiang Estuary Basin of the South China Sea. Testing has shown that this well can produce 267 tons of crude oil a day as well as a small amount of natural gas.

So far, 12 oil-yielding wells have been drilled in the Zhu Jiang Estuary Basin.

The Xi Jiang 34-3-1 well is located in the 15/33 contract zone in the Zhu Jiang Estuary. This contract zone has an area of 1,279 square kilometers. The contractor is The Pearl River Oil Operating Company, founded by five foreign companies.

The Xi Jiang 3403-1 well is 240 kilometers to the southeast of Guangzhou. Just 1 kilometer to the north of this well, the Chinese Ministry of Geology and Mineral Resources in 1979 drilled a test well--the Zhu-5 well, with a daily output of 200 tons of oil. The geological conditions of this zone have yet to be further evaluated.

/12232
CSO: 4013/114

OIL AND GAS

LARGE OIL DEPOSIT FOUND IN WESTERN QINGHAI

HK010427 Xining Qinghai Provincial Service in Mandarin 2330 GMT 30 Apr 86

[Text] The Qinghai Petroleum Administrative Bureau has discovered an extremely large oil deposit in the (Nayishan) area in the western part of the Qaidam Basin. The Ministry of Petroleum Industry recently decided to list the area as a pilot project area in scientific oil prospecting work this year.

The structure covers an area of 620 square kilometers. In mid-June 1985 the Qinghai Petroleum Administrative Bureau drilled to a depth of 2,981 meters there, at which point a large flow of oil and natural gas started. The flow has continued up to now, showing that there are abundant oil layers with a strong flow.

The provincial Petroleum Administration Bureau is treating the structure as a key drilling area. Three drilling teams and two oil-testing teams are now at work there.

/12232
CSO: 4013/114

PETROLEUM, GEOLOGY MINISTERS EXCHANGE VIEWS ON COOPERATION

OW280150 Beijing XINHUA Domestic Service in Chinese 0809 GMT 27 Apr 86

[Article by reporter Wang Yangrong]

[Excerpts] Beijing, 27 April (XINHUA)--Minister of Petroleum Industry Wang Tao and Minister of Geology and Mineral Resources Zhu Xun extensively exchanged their opinions recently on how to further strengthen cooperation between the two ministries in prospecting for oil and natural gas resources. Their cooperation was highly praised by Comrade Wan Li who said that it was a good beginning in eliminating barriers between different departments and strengthening lateral ties among various ministries.

The two ministers noted that great achievements have been made in developing petroleum production and geological work since the founding of the People's republic of China. They pointed out that those achievements were due to joint struggle by the workers of departments of the of the two ministries. In order to realize the goals set for 1990 and 2000 in petroleum and natural gas production, it is imperative to discover adequate petroleum and natural gas resources as quickly as possible. This is a very arduous task and it requires concerted efforts by both ministries' geological teams. We should have a unified plan and proceed under the principle of division of labor with good coordination. In addition, various teams should exchange data from their respective work areas to avoid unnecessary overlapping work and should fully develop the overall economic benefits of prospecting funds. Accordingly, the two ministries will jointly study the division of work in prospecting for petroleum and natural gas in 1986 and during the "Seventh 5-Year Plan."

The two ministers are convinced that merely depending on the budget set for prospecting work will be far from adequate in meeting the demand for funds. Wang Tao suggested that the method of compensatory transfer can be used in order to enable the petroleum and geological teams to have more funds for prospecting work and strengthen the vitality of various petroleum and geological prospecting units. Comrade Zhu Xun completely agreed to the suggestion because it is in line with the spirit of reform and in accord with the principle of the "Mineral Resources Law."

The two ministers also exchanged their opinions on cooperation in opening to the outside world and principles for handling some specific matters and reached a consensus.

/12232
CSO: 4013/114

OIL AND GAS

BRIEFS

POSSIBLE HEBEI RESERVES--Beijing, 23 Apr (XINHUA)--Geologists have found an important clue in their search for oil in western Hubei Province, GUANGMING DAILY reported today. The newspaper said they had discovered a large belt of bioherm, a reeflike mass of limestone, which often indicates the presence of oil and natural gas. The bioherm was found underneath Lichuan County, and was formed from the remains of tiny sea creatures in the late paleozoic era about 280 million years ago. It is more than 60 kilometers long and 5 kilomebers wide. The scientists were reported to be confident about finding rich oil and gas resources in the area. Natural gas had been produced since the 1950s from similar geological formations in southeastern Sichuan Province. [Text] [Beijing XINHUA in English 0706 GMT 23 Apr 86 OW] /6662

OIL FIELD DEVELOPMENT COMPANY--The Qinghai Oil Field Development and Construction Company was set up in March. The establishment of this company is a new step taken by the Qinghai Petroleum Administrative Bureau for carrying out simultaneous prospecting and development and coordinating the exploitation of the oil field. According to our information, feasibility studies have now been basically completed on projects for speeding up the development of the Qinghai oil field. These projects include an oil field producing 1.5 million tons of crude a year, a 400-kilometer-long oil pipeline to Golmud, and the Golmud refinery with an annual refining capacity of 1 million tons of crude. These projects have been officially included in the Ministry of Petroleum Industry's Seventh Five-Year Plan. The oil field development and construction company is currently firming up preparatory work, including capital, for these projects. It is estimated that the commissioning of the Golmud refinery in 3 years' time will change the province's fuel structure. Refinery by products will become available to the people throughout the province. [Text] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 15 Apr 86 HK]

IMPROVED PRODUCT QUALITY--Beijing, 11 Apr (XINHUA)--China plans to build 54 petrochemical installations to improve the quality of products while increasing their variety, according to the overseas edition of the PEOPLE'S DAILY today. For this year, the government will invest 630 million yuan in these projects which, upon completion in the next 2 or 3 years, will earn 1.88 billion yuan annually. Observers say this is an attempt to minimize the loss expected from the recent worldwide slump in oil prices. [Text] [Beijing XINHUA in English 1251 GMT 11 Apr 86 OW] /12858

BOHAI OFFSHORE FIELD--Tianjin, 16 Apr (XINHUA)--North China's Bohai offshore oil field will boost its crude output more than 11 times this year over 1985 -- and 140 times by 1990, an energy official said here today. Speaking at a conference on oil production, Cao Dean, general manager of the Bohai Petroleum Corporation, said the field's annual output will increase from 140,000 bbls to 1.58 million bbls this year -- and to 19.6 million bbls by 1990. The oil field has 530 working wells, including eight added just this year, according to Cao. And, he said, it plans to spend 1.4 billion U.S. dollars over the next 5 years on prospecting and drilling. Although most of the field's investment capital has come from the Chinese government, foreign firms -- from France, Great Britain, Japan, and Norway --have participated since foreign participation began in 1979. "We welcome foreign cooperation," said Cao. Altogether, the field should produce 36.4 million bbls of crude oil and 500 million cubic meters of gas over the next 5 years, he said. [Text] [Beijing XINHUA in English 1646 GMT 16 Apr 86 OW]

NEW SHANDONG WELL--On 3 April the Shengli oil fields brought in a well with a daily crude oil output of 1,013 tons and a gas output of 75,000 cubic meters along Gudong coast. The Gudong oil field, located on the north bank of the mouth of the Huang He, was discovered in 1984 along the coast of the Bo Hai following the discovery of the Huabei oil field. /Summary/ /Jinan Shandong Provincial Service in Mandarin 2300 GMT 3 Apr 86 SK/ 12228

HUABEI OUTPUT REBOUNDS--Shijiazhuang, 7 Apr (XINHUA)--The Huabei oil field, China's third largest, has maintained an annual output of more than 10 million metric tons in the past 10 years. Since it began operations in 1976, output of the oil field once exceeded 17 million metric tons annually, and then dropped to 10 million metric tons due to various reasons. After scientists and technicians at the oil field employed modern technologies to improve prospecting and production techniques, the oil field's output rebounded to 10.31 million metric tons last year, and another 230 million metric tons of crude have been added to the oil field's deposits in the last 5 years. /Summary/ /Beijing XINHUA Domestic Service in Chinese 0912 GMT 7 Apr 86 OW/ 12228

QAIDAM STRIKES--Xining, 5 May (XINHUA)--Two oil fields, with estimated reserves of at least 140 billion bbl, have been found in the western part of the Qaidam Basin, Qinghai Province, local petrogeologists announced here today. They are located in the Nanyishan and Shizigou areas. So far, one well has been drilled in each of the areas. Oil gushed forth when the well in Manyishan reached 2.981 meters. It gives a daily oil output of 5,000 bbl in addition to a large amount of natural gas. High-quality oil accounts for more than 71 percent. The 4,564.5-meter well in Shizigou produces more than 700 bbl of oil a day. Now drilling has been begun for a dozen wells planned in the areas. There is an oil-potential area of more than 100,000 sq km in Qaidam. [Text] [Beijing XINHUA in English 1225 GMT 5 May 86] /9604

CSO: 4010/52

NUCLEAR POWER

LACK OF FOREIGN CURRENCY MAY HOBBLE POWER PLANT PROGRAM

HK111025 Hong Kong AFP in English 0833 GMT 11 Apr 86

[Report by Pierre-Antoine Donnet]

[Text] Shenzhen, China 11 April (AFP) -- China plans to enter the world market to sell nuclear power plants when it masters the necessary technology, a nuclear industry ministry official said Friday.

Liu Shulin, who is heading a delegation to a high-technology exposition which opened here Thursday, also gave the first official confirmation that China's nuclear power program would be slowed due to depletion of foreign currency reserves needed to finance it.

Mr Liu, a former vice-minister in the nuclear industry, told a press conference that in particular China could export nuclear power plants with 300-megawatt capacity similar to the one now being built at Qinshan near Shanghai, and would offer competitive prices.

Work on the Qinshan power station was making good progress and would be completed in 1989, he added.

Mr Liu also said that China, with rich uranium reserves exceeding domestic needs, planned to export 1,000 tons of nuclear fuel a year and that several countries had already expressed interest.

China recently signed letters of intent with Framatome as well as with the British company General Electric, on construction of its first major nuclear power plant at Daya Bay near Hong Kong.

But Mr Liu said that construction of a second large nuclear power plant at Sunan in eastern China was not included in the 5-year plan for 1986-1990, chiefly because of the foreign currency expenditure involved and a move away from the excessive imports of the previous 5-year plan.

The French company Framatome and the West German firm KWU have already conducted detailed negotiations with China on this project.

China had originally planned to build 10 nuclear power plants with 1,000 MW capacity each by the year 2000.

China exploded its first atomic bomb in 1964 but still does not have a nuclear power plant in operation. It is building the power plant at Qinshan without foreign assistance, but requires foreign technology for construction of larger plants.

Mr Liu said that when the Daya Bay plant starts up, security guarantees, including those covering environmental protection, would be at a level comparable to those governing the operation of nuclear power plants in Western countries.

The official also stressed that one of the tasks of his ministry would be to redeploy to the civilian sector more than 10,000 researchers and technicians who had been working since the 1950's on developing the country's nuclear arsenal.

Most Chinese nuclear exports were trained in the Soviet Union before the rupture between the two communist giants in 1960.

Some 60 percent of production of China's nuclear industry is currently used in the military sector, but the civilian sector's share is due to rise from 40 to 60 or 70 percent over the next 5 years, the official said.

Products for civilian use manufactured by China's nuclear industry are being featured at the China Shenzhen Technology Fair which runs until 20 April in this southern special economic zone.

More than 200 products manufactured by 80 companies dependent on the nuclear industry ministry are on display at the fair.

/12929
CSO: 4010/46

DESIGN, BUILDING DETAILS OF QINSHAN POWER PLANT PRESENTED

Chengdu HE DONGLI GONGCHENG [NUCLEAR POWER ENGINEERING] in Chinese Vol 6, No 6, Dec 85 pp 481-489

[Article by Ouyang Yu [2962 7122 0056]]

[Text] I. Introduction

The Qinshan Nuclear Power Plant is a Chinese-designed and Chinese-built prototype power plant; its rated power output is 300,000 kW. After completion, it will be linked to the East China power grid. It is expected that through the research, design, construction, and operation of this nuclear power plant, China's nuclear industry will benefit in terms of improving its organization, acquiring experience, training personnel, and becoming systematically more proficient in nuclear power technology. Furthermore, it will also facilitate the assimilation of foreign nuclear power technology. Therefore, this project is of paramount importance with regard to both scientific technology and China's economic development.

II. Description of the Plant Location

The power plant is located in Qinshan, Haiyan County, Zhejiang Province; it is 126 km from Shanghai by highway and 92 km from Hangzhou. To the northeast of Qinshan is Hangzhou Bay; the main peak has an elevation of 185.5 m. To the north are low hills which can be flattened so that the main building of the plant will be situated on a rock foundation. To the northwest of the main building is a stretch of beach; a 9-meter-tall, 1,780-meter-long dyke will be constructed in a northwest-southeast direction to enclose 566,000 m^2 of land for auxiliary buildings such as waste solidification treatment plant, air supply, steam supply and cooling facilities as well as spare parts and repair shops. Fangjiashan to the west of Qinshan can be used for future expansion.

The region surrounding the plant has a very stable geological structure; the rock layer where the main plant is located has a slope of 18 percent. The compressive strength of the lock is greater than 10,000 kg/cm^2. The beach area is made of sludge particles and subclay; its load capacity is approximately 8 tons/m^2. The hydrological and geological conditions of the terrain near the plant are relatively simple. The base is made of molten rock which has poor permeability. The average temperature in this region is 15.8 C; the historical low temperature recorded is -10.8°C, and the high is 38.1°C. The average rainfall is approximately 1,076 mm. The prevailing wind direction is east-southeast; in the summer, typhoons may bring severe storms with wind velocities as high as 32.2 m/sec.

In terms of hydrology, Hangzhou Bay is a semi-enclosed area with typical characteristics of a river outlet. The tides rise and fall twice per day, and the average temperature is 18.1 C. The cooling water for the condenser is taken from the nearby trough along the seashore and the warm water is returned to the bay. Because of the large tidal velocity (3-4 m/sec), the ejected warm water is thoroughly dissipated. Fresh water is taken from the Changshan Canal located 10 km from the plant; there is an ample supply of fresh water because the canal is connected to Tai Hu, and the Grand Canal, and the Huangpu Jiang.

Population distribution. The population distribution and population density within a 50-km radius of the plant are shown in Table 1. As is well known, the East China region is China's most populous region; compared to the surrounding regions, the population density near the plant location is relatively low, particularly within an area 20 km from the plant. For example, the average population density of Zhejiang Province is 376 persons/km^2, which is higher than the average population density in an area 30 km from Qinshan; the average population density of the 11 neighboring counties is 569 persons/km^2, which is higher than the average population density in an area 50 km from Qinshan (500 persons/km^2).

Table 1. Population Distribution and Population Density Within a 50-km Radius of the Qinshan Power Plant

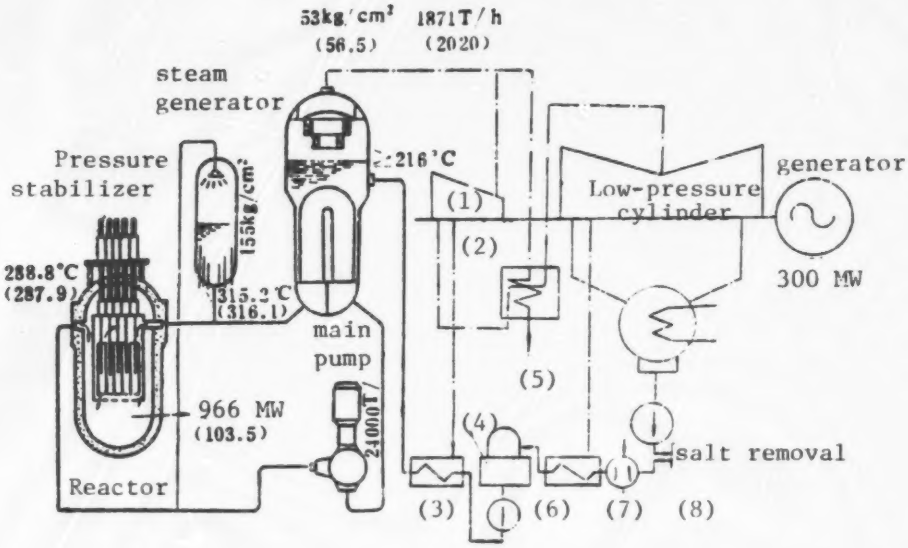
Distance km	4—0.5	0—1	0—2	0—5	0—10	0—15	0—20	0—30	0—40	0—50
Cumulative population	0	287	2916	18725	85994	182381	319335	870327	2070611	3924003
Population density	0	91	224	236	274	256	2[illegible]4	308	418	500

The power generator of this power plant consists of three major segments: the pressurized-water reactor (PWR), the primary circuit system, and the secondary circuit system (Figure 1). The cooling water for the reactor and the primary circuit is under a pressure of 155 kg/cm^2 and has an average temperature of 302 C. The nominal thermal power of the reactor is 966,000 kW at a nominal flow rate of 24,000 tons/hr; it is expected that with sufficient operational experience, it can be increased to 1.035 million kW. The flow rate of steam in the secondary circuit is 1,870-2,020 tons/hr, and the pressure is 53.0-56.5 kg/cm^2. The steam can produce 300,000-330,000 kW of power.

1. Reactor

The reactor unit consists of the reactor core, the reactor interior members, the pressure shell and the control rod drive mechanism (Figure 2). The reactor core is a structure which has 121 fuel elements arranged in a square array with a near-circular cross section. The water-to-uranium ratio in the reactor core (V_{H2O}/V_{NO2}) is 2.0653; the total capacity of NO_2 is 40.744 tons.

Figure 1. Power Generator of the Qinshan Power Plant



53kg/cm²
(56.5)
1871T/h
(2020)
steam generator
Pressure stabilizer
155kg/cm²
216°C
288.8°C
(287.9)
315.2°C
(316.1)
main pump
24000T/
966 MW
(103.5)
Reactor
(1)
(2)
(3)
(4)
(5)
(6)
(7)
(8)
Low-pressure cylinder
generator
300 MW
salt removal

Key:

1. high-pressure cylinder
2. steam/water separator and regenerator
3. high-pressure heater
4. oxygen
5. to steam trap
6. water supply pump
7. low-pressure heater
8. air evacuation unit

The first reactor core has three different concentration levels (2.4 percent, 2.672 percent, 3 percent), and the subsequent balanced refueling elements have a concentration level of 3.4 percent. The fuel rods are arranged in a 15x15 square array with 13.3 mm separation between two neighboring rod centers. The shell is made of Zr-4 alloy pipes with 10-mm outside diameter and 0.7 mm wall thickness.

During the design, a series of experiments were conducted to determine the physical, thermodynamic, hydraulic and material characteristics as well as the mechanical properties of the reactor core and the fuel elements in order to verify the reliability of design and to make design improvements based on the test results.

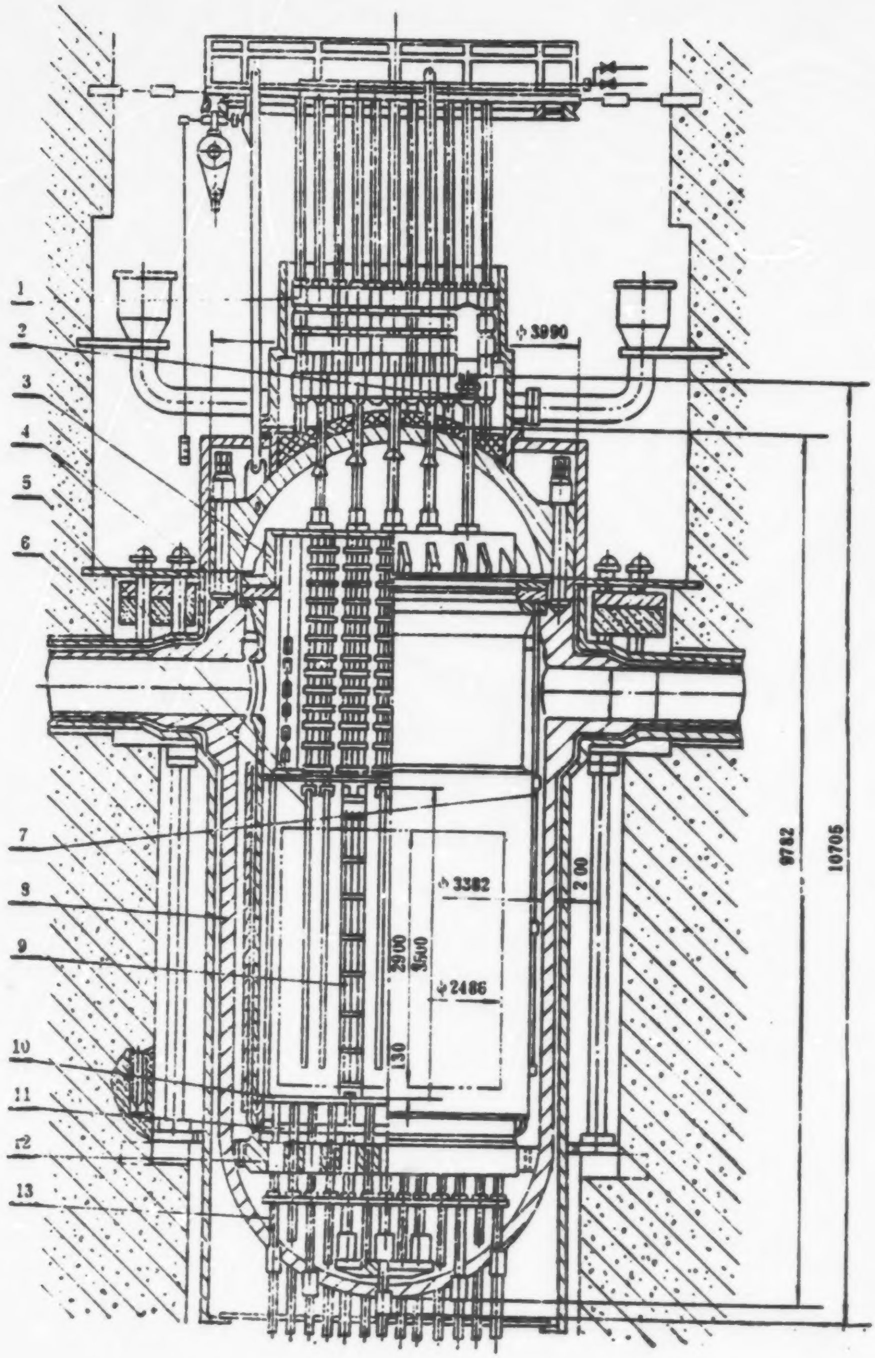
Two different approaches are used in the reactor to control reactivity: the use of bundle type control rods and dissolved boron. The drive mechanism for the control rods is magnetically operated, and has been tested for over 10,000 m continuous travel. Its performance has been demonstrated in terms of wear-resistance, endurance and reliability.

The interior members of the reactor are used to position the reactor core and to guide the coolants through the reactor core; they are also used to guide the 37 bundles of control rods. In addition, 41 thermocouples (for measuring

Figure 2. The Reactor

Key:

1. control rod drive mechanism
2. reactor temperature sensors
3. clamped parts
4. hanging basket
5. upper plate of reactor core
6. control rods
7. radiation monitoring tube for pressure shell material
8. pressure shell
9. fuel elements
10. lower plate of reactor core
11. flow distribution plate
12. bottom plate of hanging basket
13. neutron flux measurement unit inside the reactor



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the exit coolant temperatures of the fuel elements), 30 neutron flux measuring tubes and 8 radiation monitoring tubes are installed.

The pressure shell is made of SA-508-III steel, with semi-spherical enclosures on both top and bottom. It is 10.705 m in height, the outside diameter of the cylinder is 3.732 m, and the wall thickness is 175 mm; its design is based on U.S. ASME standards. The pressure shell has two major components: the cover and the cylindrical container, which are joined together with bolts and sealed with two concentric O-rings. The entire shell is made of forged parts to avoid weld lines in the longitudinal direction. In order to minimize embrittlement of the weld lines due to neutron radiation, they are positioned so that direct exposure to the reactor core would be avoided. During the design, stress analysis of the pressure shell was performed using the method of finite elements; also, electric tests and photoelastic tests of a 1:4 scale steel model and a 1:10 scale plastic model were conducted. These analyses and tests showed that the designed pressure shell exceeded the pressure requirements of the ASME-III specifications with ample margin. The pressure shell was manufactured by the Mitsubishi Engineering Co of Japan; Mitsubishi had verified and approved the Chinese design.

2. Primary Circuit System

The primary circuit system consists of two parallel loops. Each loop contains a steam generator and a main coolant pump, which are connected by No 316 stainless steel pipes to the reactor to form a closed circuit. In addition, the system has a pressure stabilizer and pressure relief tank as well as instruments and valves required for operation control and safety.

The steam generator is of vertical inverted U design; its upper section has a 3-stage vapor/water separator. The separator has been tested using moist, hot steam; the separated steam is 99.9 percent free of moisture, which exceeds design requirements.

The main pump is a vertical, single-stage, single-speed mixed type sealed-axle pump. The axle has three mechanical seals; if any stage fails, the remaining stage(s) will still be able to withstand the pressure in the system. The main pump is designed and built by the KSB Pump Factory of West Germany according to our specified parameters and requirements.

The pressure of the primary circuit is regulated by the pressure stabilizer. The electric heater, the atomizer and other equipment of the regulation system have been tested repeatedly for performance and reliability. The top section of the pressure stabilizer is equipped with three electromagnetic pressure relief valves and two safety valves to protect against over pressure.

In addition to the main system, the primary circuit has 16 auxiliary systems. Functionally, they can be divided into the following categories;

(1) Systems to ensure normal operation and porper starting and stopping of the reactor and the primary circuit; they include the chemical volume system, the boron retrieval system, the sealing system of the main pump axle, the water

disposal system, the cooling system for the equipment, the cooling system for removing residual heat after reactor shut-down, and the ventillation system for the workshop.

(2) Systems to protect the reactor and the primary circuit when loss of water occurs, to contain the effects of an accident, and to prevent scattering of radioactivity into the environment; they include the safety injection system, the safety sprinkling system, and the hydrogen removal system.

(3) Systems to retrieve and process radioactive materials to protect the environment; they include the collection, purification and storage systems for waste gas and liquid waste, and the solidification system and processing system for liquid waste and solid waste.

3. Secondary Circuit System

The main component of the secondary circuit is the steam turbine-generator unit. The steam turbine is a single-axle, three-cylinder, four-exhaust condensation type saturated steam turbine. The generator is a dual-water, internally cooled, brushless excitation, three-phase, a.c. generator. Its terminal voltage is 18 kV, and its rotational speed is 3000 rpm.

Between the high-pressure cylinder and the low-pressure cylinder of the steam turbine are two heaters which are designed to remove the moisture and raise the temperature of the steam. When the turbine pressure increases due to sudden loss of load, 70 percent of the steam will be exhausted rapidly into the condenser to avoid excessive shock on the reactor due to the load change. In case of a crack in the main steam pipe, the steam flow rate will be limited by the flow limiter located at the exit of the steam generator in order to minimize the effect of excessive cooling of the reactor due to the loss of steam.

Since the cooling water used in the condenser is sea water, the heat transfer pipes and plates are made of titanium. Also, to ensure the quality of the water supply, the condensation water will be subject to 100 percent salt removal.

IV. Safety Design Measures

Safety has always been the No 1 consideration in the design of this power plant; the first priority is safety, not high performance. In conjunction with preliminary design, preliminary safety analysis and evaluation of environmental effect were also conducted, and accident prevention measures and emergency procedures were established. Safety design measures are generally based on the international standards used in the late 70's. They are also in compliance with the Chinese safety standard "Radiation Protection Regulations."

1. Safety Design Guidelines

The safety design follows the four guidelines described below.

(1) Eliminate possible causes of accident. A good design and superior engineering quality are pre-requisites for ensuring safety. This power plant is equipped with many levels and many different types of safety devices. Sufficient safety margines are provided for critical materials and critical components, and strict quality inspections are conducted to minimize the possibility of accidents.

(2) Prevent conditions of abnormal operations from developing into catastrophic accidents. Multiple levels of independent safety protection and control systems are installed so that when operational parameters exceed their design limits, alarms will be activated and power output will be automatically reduced until the reactor is shut down. Constant monitoring and periodic inspection will be carried out; procedures will be established for safe operation, particularly procedures to prevent abnormal operating conditions from developing into major accidents.

(3) Minimize damages in case of an accident. Accident correction measures are taken for every possible cause of accident in order to prevent radioactive materials from polluting the environment. In addition, effective protective measures must be taken to guard against possible natural disasters such as earthquakes, tides, floods, and typhoons, to ensure that safety-related structures, systems, and equipment will not be damaged and fail to function.

(4) Close monitoring of radiation dosage and radiation protection. Radioactive waste treatment and purification systems, dosage monitoring systems, and protective shields are installed in order to control and ensure that the radiation level released during normal operation and in case of an accident will be lower than the allowable levels specified in the standards 10CFR20 and 10FR100, and in China's Radiation Protection Standards, so that the safety of operating personnel and local residents can be guaranteed.

2. Safety Measures

The following safety measures are taken in the design:

(1) The reactor has negative-response temperature coefficients. In order to maintain good stability during operation of the reactor, and to limit boron concentration in the coolant, burnable poison rods are installed during initial loading of the reactor core, so that the temperature coefficients of the moderator under various operating conditions and all negative. Specifically, these values are as follows:

At initial fuel loading $\alpha_m^{\circ} = -1\times10^{-5}/^{\circ}C$

$\alpha_m^{HFP} = -7\times10^{-5}/^{\circ}C$

Before first refueling $\alpha_m^{HFP} = -5.19\times10^{-5}/^{\circ}C$

(2) Sufficient margin is provided in the thermodynamic design. The calculated coefficient of power non-uniformity of the reactor based on physical zero-power inspection procedure is 2.54; to provide adequate safety margin, the coefficient for thermodynamic design is chosen to be 2.9.

(3) Protective screens are installed to prevent radioactive materials from escaping. Three individual screens are installed for shielding the fuel elements, the pressure shell and the primary circuit, and the safety shell.

(i) Fuel elements. The fuel elements are made of UO_2 core blocks which have high melting point and very stable chemical properties. The total hydrogen content in the core block is limited to less than 2.5 ppm in order to minimize fracture due to hydrogen embrittlement. The mechanical structure of the fuel elements has been tested for mechanical strength, water corrosion, hydraulic surge and hydraulic vibration; it is now undergoing radiation tests.

(ii) Pressure shell and primary circuit. The mechanical design of the pressure shell, the primary circuit and auxiliary systems has adequate safety margin. All metallic surfaces in contact with the coolant are made of austenite stainless steel or high-nickel alloys; the quality of water in the primary and secondary circuits is strictly controlled to minimize corrosion. The structural materials, the weld lines and the reactor weld layers of the components and support members have been subject to non-destructive tests according to ASME Class-I technical standards; they are also subject to periodic inspection during operation in order to discover hidden defects and take timely corrective measures.

(iii) Safety shell. The safety shell is a pre-stressed concrete structure which can withstand the combined load of 1.4 times the peak pressure under loss-of-water conditions plus its own weight, the pre-stress, and the temperature stress. This combined load is supported by several hundred bi-directional pre-stressed steel bars. The entire shell structure has been subject to detailed stress analysis, and conventional steel ribs have been installed based on the analysis results to reinforce the structure, so that the safety factor of structure under pressure loads of an accident is no less than 2.0.

Sealing of the safety shell is accomplished by the steel rib lining on the inner surface. The strength and stability of the steel lining have been carefully analyzed under the pressure load of an accident, temperature pressure, and pre-stress. The several hundred tubes which penetrate the safety shell must also meet very strict sealing requirements. After completion, the safety shell will be subject to strength test and overall leakage test. Under design pressure, the allowable leakage rate is one-one thousandth of the total weight of air inside the safety shell in a 24 hour period. The leakage test will be repeated every few years after the plant begins operation.

(4) Reactor safety protection system. The reactor has 37 bundles of control rods, which can be inserted into the reactor core in 2 seconds under gravity. When the operating parameters exceed their design limits and there is a possibility of endangering the pressure boundaries of the reactor core and the primary circuit, the automatic reactor shut-down signal will cause the control rods to be lowered to provide sufficient depth of thermal shut-down. When shut-down occurs, a signal is generated to stop the steam turbine at the same time.

(5) Special safety measures. In order to prevent reactor core melt-down and to prevent the release of radioactive materials into the environment due to loww of water in the primary circuit or fracture in the main steam pipes. the power plant is equipped with special safety measures which include the following systems:

(i) Safety injection system. The system has four high-pressure safety injection pumps, two low-pressure injection pumps and four safety injection tanks. In case of an accident, the high and low pressure safety injection pumps will inject boron water into the reactor core according to pressure variations in the primary circuit. When the pressure drops to 50 atg, the four safety tanks automatically inject boron water into the reactor core.

(ii) Safety sprinkling system. The system has two safety sprinkling pumps. When the internal pressure of the safety shell rises to 1.5 atg due to loss of water, the sprinkling pumps are activated and boron water containing NaOH is sprayed into the safety pump.

(iii) Safety shell isolation measure. In the case of loss of water in the primary circuit or fracture of the main steam pipes, a safety shell isolation signal is generated in addition to the safety injection signal (isolation of all the conduits except the steam pipes, water supply tubes, and ventillation system conduits). The main steam pipes and water supply tubes are isolated when a special signal indicating fracture of the main steam pipes is generated; the ventillation system conduit of the safety shell is isolated by a signal indicating high radiation level inside the safety shell.

(iv) Hydrogen removal system. The hydrogen removal system is designed to remove the accumulated hydrogen within the safety shell. There are two closed-loop systems each with a hydrogen removal capacity of 150 m^3/hour; each system contains a suction type blower, an air cleaner, and a catalytic hydrogen and oxygen composite remover. In case of an accident, the hydrogen concentration inside the safety shell can be controlled to below 4 percent by activating only one of the two systems.

(v) Safety air purification system. This system includes:

(a) a safety shell air filtering system, which can filter the air in the safety shell once every 4 hours to reduce the radiation level.

(b) safety shell cleaning and ventillation system, which is used for cleaning reactor personnel before entering the safety shell; its air replacement capacity is 1.5 times/hour.

(6) Reliable power supply. To ensure that the power plant will not lose electricity under any circumstances, three independent electric sources are installed for power supply. They include: two independent external sources from different transformer stations of a 220 kW power network. If the two external sources are cut off simultaneously, then the emergency diesel generator unit within the power plant is activated to supply power to the special safety facilities. There are three emergency diesel engines, each with a capacity of 2000 kW.

(7) Anti-earthquake measures. The anti-earthquake design is based on standards for nuclear power plants used by the U.S. and Japan. All structures, equipment and systems of this power plant are designed according to anti-earthquake specifications. Components which are directly related to the safety of the power plant are designated as class-I components.

The earthquake response spectrum of nuclear power plants specified by the U.S. Atomic Energy Commission are used in the design. Specifically, two reference intensities are assumed. One is the operational base earthquake (OBE), which is the maximum earthquake intensity that might be encountered at the plant location over the next 100 years; this value is consistent with the base intensity of scale 6 (AH∼.075g) approved by the National Earthquake Bureau. The other value is based on the maximum intensity at the plant location which had been recorded in history and which may be encountered in the future; this intensity plus one defines the safety shut-down earthquake (SSE).

For anti-earthquake and anti-fracture considerations, a 300-ton and a 40-ton pressure dampers are included in the system design.

In addition, specific anti-earthquake requirements are also used in designing various equipment as well as their supports and valves. Special analysis and calculations are performed for Class-I structures, equipment and conduits to eliminate any hidden concerns.

(8) Fire-fighting measures. The fire fighting system of the power plant is designed according to the No. 50-SG-D nuclear power plant fire prevention regulations of the International Atomic Energy Organization and the Chinese "Construction Design Fire Prevention Regulations" TJ16-74; the U.S. NRC Regulatory Guide 1.120 is used as a reference.

Non-combustible construction materials are used. For critical areas such as the control room, the electric cable compartment in the computer room, and the diesel engine room, fire-proof insulation screens are installed to provide fire resistance for more than 3 hours. The control room, the switch room and the transformer room are equipped with fire detection sensors which can automatically activate the alarm; they are also equipped with automatic fire extinguishing systems.

(9) Protective measures against floods, typhoons, and impact of external objects. The effects of tides and typhoons must be given serious consideration. Sea dykes are being built along the shore and will be connected to the existing dykes. The dyke design is based on considerations of high tides that occur once every hundred years and wave heights with corresponding frequencies; the design is verified using once-per-thousand-year high tides plus wave heights with once-per-hundred-year frequencies to ensure safety of the power plant.

In addition, loads due to typhoons, tornados and impact of external objects are also considered in the building design. Analysis results show however that these effects are all smaller than the earthquake loads.

(10) Lessons learned from the Three Mile Island incident. The following measures are taken in arranging the control room.

(i) The control room is arranged according to system functions; instruments for normal operation and emergencies and their respective controls are clearly arranged on the control console and the instrument panel.

(ii) Redundant arrangement is provided for critical instruments so that malfunctioning of one instrument will not lead to incorrect decision.

(iii) For added fire protection, an emergency control room is provided in addition to the main control room.

(iv) Safety-related equipment are located so that the operators can have easy access.

(v) Indicator lights are installed near the controls to attract the attention of operators when abnormalities occur.

(vi) CRT displays are utilized to enhance man-machine interaction, to indicate the status and parameters of malfunctions, and to direct the operators so errors are avoided.

(vii) Technical support centers will be established to provide direction and guidance in case of an accident without interfering with normal operation.

3. Accident Analysis

The accident analysis for this power plant is performed according to specifications of the U.S. standards ANSI-18.2, "Nuclear Safety Design Rules for Fixed Pressurized-Water Reactors."

On the basis of the expected frequency of occurrence and the degree of seriousness, accidents can be divided into three categories: (1) extreme accidents (postulated accidents which are not expected to occur); (2) major accidents (accidents which occur rarely); and (3) general accidents (accidents with medium frequency of occurrence).

To be safe, the accident analyses are carried out by assuming exagerated degree of seriousness and unfavorable conditions, without regard to the actual probability of occurrence of these scenarios. For example, in the case of an accident where fracture of pipes, earthquake, and loss of electricity all take place at the same time so that the reactor must be shut down, it is assumed that a bundle of control rods with the largest reactive value becomes jammed and cannot be inserted into the reactor core. The initial conditions and the physical, thermodynamic parameters are generally chosen to have the most unfavorable values under the particular operating conditions.

During the preliminary design phase, 6 extreme accidents, 7 major accidents and 6 general accidents were analyzed, with emphasis on the extreme accidents and major accidents. The computer programs used in the analyses were developed by the Shanghai Nuclear Engineering Research and Design Institute, with the exception of the imported RELAP-5 program, which was used for analyzing a loss-of-water accident in the primary circuit. The results of analyses were generally quite satisfactory. For example, a comparison of the analysis results and safety standards for two accident scenarios--dual fracture of the main pipe in the primary circuit and medium, small punctured holes in the pipe--is shown in Table 2. The analysis results for all accident scenarios considered met the specified safety standards.

Table 2. LOCA Accident Analysis Results

Safety standards	Analysis results	
	Dual fracture	Medium and small punctured holes
Maximum fuel rod temp. <1204 C°	= 1098°C	852°C
Zirconium-water reaction <10%	<1%	<1%
Max. thickness of zirconium oxide <17%	≤3.52%	negligible
Reactor core maintaining coolable geometric shape	yes	yes
	L-LOCA	RELAP-5

4. Evaluation of Environmental Effects

The treatment of gas, liquid, and solid waste and environmental protection for the power plant strictly follow the principle of "ALARL." The waste treatment system is generally identical to similar systems used in the U.S. Under normal operating conditions with no leaks in the heat transfer pipes of the steam generator, the concentration in the waste water is 2.05×10^{-9} Ci/L; the annual discharge is only 0.012 Ci (with the exception of tritium). When there is a leakage of 3.17 L/h from the steam generator and 0.5 percent damage to the fuel rods (extreme operating condition), the maximum concentration in the waste water is 2.2×10^{-8} Ci/L, and the annual discharge is 3.65 Ci. The waste water is diluted by the circulating water until the concentration is reduced by three orders of magnitude before it is discharged into the sea.

Similarly, by assuming extreme operating conditions, it is calculated that the effect of discharged waste water on the local residents is to produce a maximum dosage of only 0.03 mrem, the effect of discharged gas is 0.37 mrem, with a total of 0.4 mrem. This value corresponds to only 0.4 percent of the natural background radiation.

In addition, analysis of the radiation levels in the environment from 8 major accidents and extreme accidents showed that they are far below the threshold value given in the U.S. regulations 10CFR20 and 10CFR100. Therefore, the safety of the Qinshan power plant is reasonably assured.

V. Project Development

The development plan of this power plant was reviewed and approved by the late Premier Zhou Enlai in 1974. Since that time, significant amount of research and tests have been conducted, and a plant site has been selected. Of the planned research tasks, approximately 200 have been completed by mid-1982 (at the end of 1984, 220 have been completed), and Qinshan was selected as the site for the power plant. On this basis, preliminary design (including preliminary safety analysis) and manufacturing and procurement of equipment and components were initiated. The preliminary design was completed in October 1983, and was approved by the National Planning Committee in January 1984. Construction design has been underway for over a year, and is still continuing. In June 1983, work began in excavation, field preparation, dyke construction, and the construction of water supply, power supply, and roads; by the end of 1984, they were all completed. In January 1985, construction of the main plant was officially started, and factories in Shanghai, Beijing, Xi'an, and Dalian also began manufacturing of various equipment for the power plant. It is expected that construction will continue for 2 more years through 1986, installation will also take 2 years through 1988; test operation should begin in early 1989. If everything proceeds according to plan, the power plant is expected to begin generating power in the second half of 1989.

The author would like to express his thanks to comrades who are concerned, and who have provided guidance, support and assistance to the Qinshan project.

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CSO: 4008/41

NUCLEAR POWER

CONSTRUCTION STEPPED UP ON QINSHAN, DAYA BAY POWER PLANTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 22 Apr 86 p 1

[Text] Beijing, 21 Apr (XINHUA SHE)--Progress on the project to construct China's first nuclear power plant--the Qinshan Nuclear Power Plant--has been rapid. The nuclear island, the heart of the power plant, stands like a colossus over the construction site.

According to a report in the Shanghai WEN HUI BAO, as of the middle of April the steel framework for the nuclear island had risen to a height of 31 meters, one-half of its overall [finished] height. Concrete for the nuclear island has already been poured to a height of 12 meters, or about 23 percent of the total to be poured. Work on the auxiliary building is well under way and work is progressing on the main control room, the seawater pumping station, the water intakes, and the waste material storage facility.

Located on the northern shore of Hangzhou Bay, the Qinshan nuclear power plant is 92 kilometers from Hangzhou and 126 kilometers from Shanghai. It is the first 300MW pressurized-water reactor power plant to be Chinese-designed and built, and is listed as one of the nation's major construction projects. Work on the main buildings of the Qinshan nuclear power plant began in January 1985. Tests are scheduled for 1989 and the plant could be feeding power into the grid that same year.

According to a CHINA NEWS AGENCY report from Guangzhou on the 21st, preliminary engineering work on the Guargdong nuclear power plant, which has been going on for 2 years, could be completed by the end of April [1986].

Preliminary engineering work on the Guangdong nuclear power plant at Daya Bay began in April 1984. Today, the 67-meter hill that used to be on the Daya Bay site has been levelled and a flat, broad plant area has now risen some 6 meters from an area reclaimed from the ocean that covers an area of 197 hectares. Construction of an immense stone and concrete block seawall that measures 1400 meters in length and 14 to 16 meters in height has commenced. A "water curtain" that is 1000 meters long, 80 centimeters thick, and 12 to 16 meters deep has also been finished. Already in use is a 1000-ton-capacity pier. A 4-meter-wide asphalt highway running some

28 kilometers from the Beizijiao border inspection station to the plant site has been finished. A newly built 35,000 volt transformer station assures a supply of electricity for the construction work. Telephone and radiotelephone links to Shenzhen are now open. A 1.3 million m^3 reservoir and its associated water works have been completed and pipelines are now being put down.

The Guangdong nuclear power plant project has been removed from the Ministry of Water Resources and Electric Power and placed under the authority of the Ministry of Nuclear Industry. A new management system is also being established. Currently, tenders are being invited for the civil engineering work on the basic work of the nuclear reactor.

/9604
CSO: 4013/113

SUPPLEMENTAL SOURCES

STATUS OF SOLAR ENERGY UTILIZATION RECAPPED

Beijing TAIYANGNENG [SOLAR ENERGY] in Chinese No 1, 28 Feb 86 pp 1-5

[Article by Liu Jianmin [0491 7003 3046], "The Situation in Developing the Use of Solar Energy at Home and Abroad"]

[Excerpt] Solar energy is a renewable energy source and it is inexhaustible. In the seventies, due to the world oil crisis, the use of solar energy attracted world attention, especially the use of solar energy heat and the sun's light to generate electricity and this has already become an important aspect in the developing uses of solar energy. To promote solar energy in China, the general situation in the development of the use of solar energy in China and abroad will be summarized below.

I. Development of the Use of Solar Energy in China

China began research in the fifties on such uses of solar energy as solar stoves, solar water heaters, and solar batteries. Nation-wide, there are at present 162 research units and over 3,000 scientists and technicians pursuing research units and over 3,000 scientists and technicians pursuing research on the use of solar energy, more than 50 plants produce equipment that uses solar energy, and a total of 40-50 million yuan has been invested by state and local governmental agencies. International academic exchanges concerning solar energy use are also increasing daily. Solar water heaters, solar greenhouses, solar stoves, solar houses, solar dryers, and solar batteries have gradually gone from laboratory research to small-scale application with good economic results.

A. Use of Solar Heat

Solar heat is the most important aspect of the use of solar energy in China today. In the past few years, the important projects which have been progressively promoted and applied are:

1. Solar Water Heaters

China began to develop this already in the fifties. Starting with the early seventies, the solar water heater was progressively promoted and used on a small scale in many places nation-wide. According to incomplete figures, by the end of 1984, the solar water heaters in use nation-wide exceeded 300,000 m^2. The range of uses, which initially were primarily for supply of low water temperature water for such public facilities as municipal bathhouses, barber shops, dining rooms, and hospitals, has progressively expanded to swimming pools and such industrial and agricultural production as low-temperature fermenting, washing of industrial products, and hot water supply to dairies.

The current average thermal efficiency of hot water heaters being designed and produced in China is 40-50 percent, their price and life expectancy vary depending on materials used, but the maximum price is approximately 100-200 yuan/m2, and the life expectancy is generally 2-5 years.

2. Solar Stoves

China began to develop these in the fifties. According to incomplete statistics, by the end of 1984, there were 90,000 solar stoves nation-wide, and China uses more solar stoves than any other country in the world. Of this number, 40,000 are in Gansu Province, 15,000 are in the rural areas of Hebei Province, but of this number, probably one-third are defective and abandoned.

3. Solar Greenhouses

In the past few years, due to developments in the plastics industry, various types of solar plastic heating tents have been built across the northern and southern regions of China. Their uses have expanded from horticulture to cultivating vegetables and melons and such crop seedlings as cotton and paddy rice, and gradually are used for raising poultry and domestic animals, and cultivating fish, shellfish, and silkworms, all with good results.

By the end of 1983, China had already extended solar greenhouses of various structures and solar plastic tents of various kinds to over one million mu. We will now summarize the developmental trends in use and management.

a. Solar greenhouses for cultivating vegetables. This is the major application of solar greenhouses in China and over 50 kinds of fresh vegetables are cultivated. In high plains regions, the economic benefits are especially clear. These greenhouses cost approximately 3 yuan per square meter to build. For example, the Weidong Office in Lhasa built a plastic greenhouse which covered a half a mu, there are three crops per year consisting of 130,000 catties of cucumbers per crop, which sell for 3,900 yuan, and one crop covers the total investment.

b. Solar-powered fish culture. The Hengshui Special District, Hebei, Acquatic Products Experiment Station uses solar greenhouses to raise fish and after 8 years of tests, the maturation rate of the fry is 99.5 percent, which is a 30-50 percent improvement over coal-heated greenhouses.

c. Solar-powered shellfish culture. The Tianjin Solar Energy Technology Research Conference converted a 240 m^2 artificial prawn hatchery from using conventional energy sources for cultivation into a solar green house and by using a solar water heater to raise the temperature of the pond water, with the addition of appropriate supplemental electrical heat, moved up the cultivation of prawns in the north by one month and since the autumn crop could be lengthened to 12 cm, it raised the export value of the prawns.

d. Solar-powered hotbeds. These are mainly used for growing spring season seedlings, cultivating winter season vegetables, overwintering of flowers and grasses, vegetative cultivation of cotton seedlings, forcing paddy rice, overwintering of old sweet potato vines, and winter seed protection and breeding in breeding enterprises. Experience proves that by using this type of bed for growing seedlings, the survival rate is higher, the seedlings are more robust, and generally output is increased 6-15 percent.

e. Solar-heated enclosures for raising domestic animals. This can increase the number of sow farrowings from two litters per year to five litters every 2 years; it ensures the normal growth of fattening pigs. It has now been extended to raising milk cows and lambing sheep. Because of its technical simplicity, clear benefits, and low cost, it is being promoted in Shanxi and Neimeng.

4. Solar Houses

China's first passive solar house was built in 1977. According to incomplete statistics, by the end of 1984, over 130 solar homes of different designs have been built nation-wide. Most of them use trombe walls or heat collecting walls.

The energy saving effectiveness and additional investment for China's solar houses varies depending on the region and building style.

When the average outdoor temperature in January was -10°C, the Minqin solar house in Gansu Province, could maintain an indoor temperature above 16°C, with a solar energy supply rate of approximately 80 percent, and a construction cost per square meter generally 10-12 yuan higher than equivalent ordinary houses. The Quanji solar house in Qinghai has a total area of 126 m^2, with a heating area of 57 m^2, and the added investment for using solar heating was 3,000 yuan. When the air temperature outside is -15°C, without using the supplemental heat source at all, the inside temperature can be maintained above 10°C, with an annual saving of 12 tons of coal and at current coal prices the investment can be completely recovered in 3 years. At the Yihezhuan solar house test project in Daxingxian, Beijing Municipality, the interior temperature during the winter without using supplemental heat generally was not lower than 8°C, with a solar energy supply rate over 60 percent, had an added cost of 25 yuan per square meter.

Generally speaking, the usual winter heating temperature in China's solar houses can be maintained at 8-12°C, which meets the demands of the general rural lifestyle, the solar power supply rate is 50-80 percent, and the added investment per square meter is 10-25 yuan.

5. Solar Dryers

China began research on solar powered drying technology and by the end of 1983, over 50 solar dryers with an area of 3,000 m^2 had been constructed nation-wide. They are used for drying such crops as grains, fish, tobacco, rolled bean milk cream, fruits, wood, hides, Chinese medicines, rubber, and natural silk, with good economic benefits. Currently, the better solar drying facilities includes the following.

a. Solar fruit drying facilities. The lichee and longan solar dryers of the Dongwanxian Fruit Processing Plant in Guangdong have a total area of 59 m^2. The drying time reduced by two-thirds over that of traditional drying methods, saving energy as well as improving product quality, so that the product can reach the special class or first class standard. The investment per square meter in this facility was 150 yuan, and the total investment can be recovered in 1-3 years.

The solar hongzao [4767 2764] drying facilities of the Taocun Brigade of Houshanxian, Shanxi, can save a standard ton of coal in drying 1 ton of hongzao.

b. Solar curing facilities. The investment in a 213 m^2 solar rabbit skin curing facility in Hebei was 180,000 yuan recoverable in a year. Experience proves that compared with natural drying or tedding, rabbit skins are cleaner when dried in a solar dryer, the drying time is shorter by two-thirds, and the losses can be reduced.

c. Solar tobacco-drying facilities. Ordinarily, drying 1 ton of tobacco requires 1 ton of coal. In Henan alone, the annual consumption of superior coal for drying tobacco is more than 1 million tons. But using solar energy for drying tobacco can both improve the quality of the tobacco and also save a great deal of coal.

d. Solar wood drying facilities. The solar-powered infrared wood drying kiln of the Yuncheng Municipal Wooden Articles Plant in Shanxi has a capacity of 7 m^2. The results of operation show that, compared with drying in coal-fired kilns, drying costs dropped from 22 yuan/m2. Total investment is recoverable in 3 years and at the same time the quality of the wood drying is improved.

6. Solar-powered Sea Water Desalinization Facilities

The Guangzhou Energy Institute of the Chinese Academy of Sciences has built solar-powered sea water desalinization facilities at Hainan, Zhongjian Island in the Xisha, and in Zhejian.

7. High-temperature Solar Furnaces

In 1978 the Hai'anxian Solar Energy Institute of Jiangsu developed a solar furnace with a focal diameter of 30 mm, and a focal center temperature of more than 2,000K which can be used for welding. The South China Engineering

Engineering College developed two solar furnaces, mainly for materials testing, which have a maximum focal temperature of 3,000°C.

8. Solar-powered Air Conditioning Facilities

In the past few years, some of China's scientific research units have carried out scientific research on solar-powered refrigeration and ventilation and have obtained some operational experience, but it is still quite far from practical use. The Guangzhou Energy Institute of the Chinese Academy of Sciences has cooperated with the Hong Kong College of Science and Engineering to construct a demonstration solar-powered air-conditioned house in Shenzhen.

B. Solar-powered Photoelectric Uses

In 1958 China began conducting research on solar batteries. In 1971 solar batteries were successfully applied for the first time in the second satellite launched by China. In 1973 this technology was extended to ground applications, the first of which was the navigation lights in Tianjin harbor. Since then it has also been extended to applications in railroads, animal husbandry, communications, television, protecting crops and rubber, with clear results.

There are over 40 units in China pursuing solar battery research, among which most are studying single crystal, non-crystal, and multi-crystal silicon solar batteries, and a few studying solar batteries of chemical compounds, such as cadmium sulfide and gallium arsenide.

At present China has 17 plants which produce solar batteries. Annual productive capacity is above 100 kW, but actual production is 70 kW, and the products are primarily single crystal silicon solar batteries. The overall cost of solar battery products has dropped to 50-55 yuan-peak Watt, with photoelectric conversion efficiency at 8-12 percent, and life expectancy which can reach 10 years. By the end of 1984, the installed capacity of China's solar batteries was over 100 kW.

The applications of solar batteries nation-wide is primarily in the following areas:

1. Navigation Lights

Primarily in harbor routes in Tianjin, Shanghai, Guangzhou, and Chang Jiang. By the end of 1983, the overall power of silicon solar battery power supply used in navigation lights in all of China was over 7 kW.

2. Railroad Signal Lights

China's railroads have over 5,000 stations. Of this number over 1,500 stations do not have ac power supply or have unreliable ac power supply. By the end of 1983, nation-wide, 15 railroad bureaus had installed, at over 120 railroad stations, 280 silicon solar battery powered railroad signal lights. The overall power is over 8 kW.

3. Electric Fences

Electric fences powered by solar batteries to prevent loss of grassland is an ideal application. China has 3.3 billion mu of grazable grassland. Electric fences began to be used in 1979 and by the end of 1983, over 140 farms nation-wide were using electric fences. The overall battery power is 3kW.

4. Black Lights

By the end of 1983, there were over 200 applications nation-wide, with an overall battery power of 4 kW.

5. Battery Charging Power Supplies

By the end of 1983, the overall solar battery power of small battery chargers was 1 kW, the overall power used for television relay power supplies was 1.5 kW, the overall power used for yurt illumination was 8-9 kW. The Fukang Xian Solar Battery Charging Station currently under construction in Xinjiang Autonomous Region will have a maximum capacity of 5 kW.

6. Military Communications and Illumination

Maximum capacity of 3 kW.

Other applications of solar batteries include solar-powered rubber tapping lights, solar powered surgical lights, meteorological stations, rural carrier telephone power supply, oil pipeline and reservoir sluice gate cathode protection, forest fire monitor power supply, and irrigation pumps. In addition, the joint Chinese-West German 10-kW photoelectric station in Daxing Xian, Beijing Municipality, is used for photoelectric water pump water supply. The joint Chinese-Japanese 10-kW photoelectric station built in Lanzhou is used for illumination in rural homes.

C. Generating Electricity With Solar Heat

In the past few years, China has carried out some small-scale exploration in using solar heat to generate electricity. The Shanghai College of Machinery test-developed a facility for generating 1 kW of electricity by low temperature solar heat. Tianjin University built a tower-type solar-powered test power station designed with an output power of 1 kW.

The Xiangtan Electrical Machinery Plant is now developing with the U.S. Space Electronics Company a 5-kW focused solar-heat generating facility. The first model was put into trial operation in October 1984, but for a variety of reasons, it only generated 2 kW and did not reach the design standard. It is predicted that this facility is scheduled to be purchased by the UN at $50,000 per unit. After being developed, the Xiangdan Electrical Machinery Plant may produce 100 units per month. The second phase of cooperation in this project will change the present high-speed steam turbine generator to Sterling generators to improve the performance of the facility.

In view of the present situation, China's research on using solar heat to generate electricity is basically at a standstill.

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CSO: 4013/104

SUPPLEMENTAL SOURCES

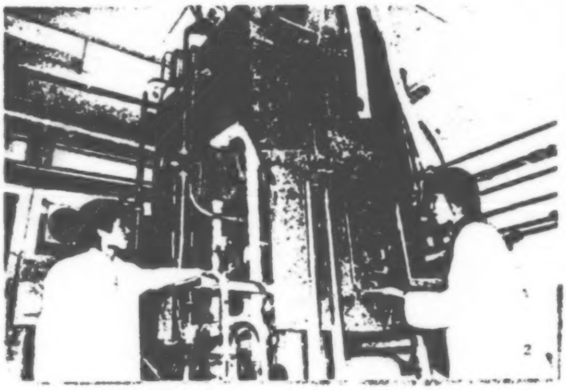
ENERGY INSTITUTE EXPLORES ALTERNATIVE ENERGY SOURCES

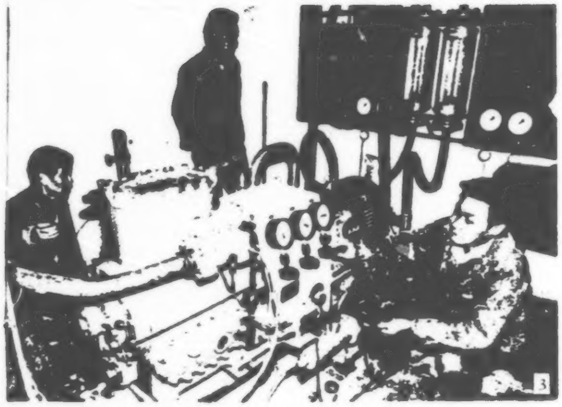
Beijing KEXUE SHIYAN [SCIENTIFIC EXPERIMENT] in Chinese No 3, 10 Mar 86, inside back cover

[Text] The Guangzhou Energy Institute of the Chinese Academy of Sciences undertakes research on new energy sources such as biomass, solar energy, geothermal energy, and ocean energy, as well as conventional energy conservation technology. The Energy Institute has 196 personnel, including 144 scientists and technicians. Since its establishment, the institute has made achievements in 23 areas of research and has won two National Science Conference awards. The Guangzhou Energy Institute, in order to resolve the energy problem that confronts the nation's economic growth, adheres to the scientific research policies that serve the national economy.

At left, Senior Engineer Huang Zhicheng of the institute "debugs" a solar heat collector. Expanding research on the application of solar heat has produced dryers, seawater desalinization units, refrigeration (air conditioning) equipment, and hot water heaters.

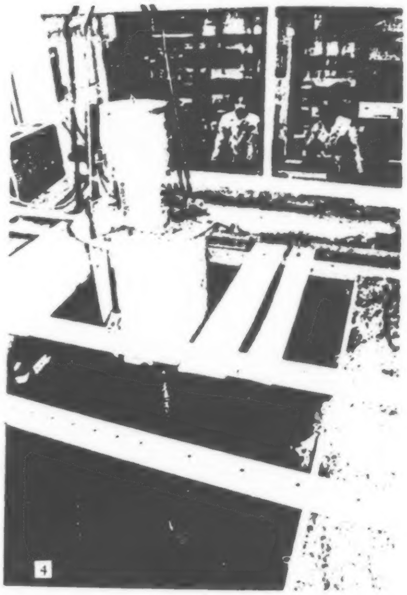
At right, an experimental facility that uses hot water as a heat source developed by the institute. It makes use of industrial waste water to produce the coolant needed for air conditioning.





Shown at left are research personnel experimenting with a heat pump to heat the water of a swimming pool. The installation, maintenance, and use of the heat pump are simple and it can save 70 percent of the electrical energy needed.

Shown at right are research personnel using a simulator to produce "waves" that would generate electricity. In this area of ocean wave energy research, the institute has developed China's first successful 10-watt navigation buoy.



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CSO: 4013/116

SUPPLEMENTAL SOURCES

BRIEFS

JIANGXIA STATION COMPLETED--Beijing, 17 Mar (XINHUA)--China's largest tidal power station has been completed in Jiangxi Harbor in Zhejiang's Wenling County. The station, named "Jiangxia Tidal Experimental Power Station," has an installed capacity of 3,200 kilowatts and is capable of generating 10 million kWh of electricity a year. It is the third largest tidal power station in the world. [Summary] [Beijing XINHUA Domestic Service in Chinese 1452 GMT 17 Mar 86 OW]

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CSO: 4013/108

CONSERVATION

BRIEFS

6TH FYP CONSERVATION FIGURES--The State Planning Commission recently revealed that during the Sixth 5-Year Plan, the dual policy of energy development and energy conservation was completely successful, and the amount of energy conserved and saved was equal to 120 million tons of standard coal. Energy conservation accounted for half of the energy resources needed for the 10 percent average annual growth in the national economy. During the Sixth 5-Year Plan, every region, department and enterprise raised the management level of energy conservation work by establishing laws and regulations to strengthen basic work. We transformed equipment that consumed a large amount of energy, and we developed and popularized new energy-saving technology, techniques and new materials. In 5 years, we transformed more than 2,000 industrial kilns and furnaces, and recovered more than 4 million standard tons of coal in thermal resources. We added two thermal generators with an installed capacity of 600 MW, and we developed and popularized more than 1,000 varieties of wind generators and water pumps with a 1970's international technology level. By strengthening management and technology measures, the level of energy consumption of two-thirds of major energy-consuming products decreased. For example, the amount of coal required for steel smelting decreased 14.2 percent. Most rural areas increased the use of energy-efficient coal stoves, methane, etc., to conserve firewood. During the Sixth 5-Year Plan, the amount of energy conserved and developed in rural areas was equal to more than 20 million tons of standard coal. [Text] [Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 4 Apr 86 p 3] /12232

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20 JUNE 1986

China Report

ECONOMIC AFFAIRS

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FORMATION OF RATIONAL PRICE SYSTEM REVIEWED

HK271150 Beijing JINGJI YANJIU in Chinese No. 3, 20 Mar 86 pp 56-69

[Article written by Lin Wenyi [2651 2429 4135] of Chinese People's University and Jia Lurang [6328 1462 6245] of Financial and Trade Materials Economic Research Institute of Chinese Academy of Social Sciences in January 1986: "An Inquiry into the Rational Price System"]

[Text] The reform of the price system is the key to the smooth development of the national economy and to the success or failure of the reform of the entire economic system. Then, what is the rational price system, and what is its theoretical basis? We hold that the theory of the formation of the planned price is the theoretical basis for the formation of the rational price system. There are three essential factors for the formation of the planned price: Value, the relations between supply and demand, and policy factors. With regard to value, it is necessary to consider the value of the currency and its changes as well as the value of the commodities and its changes. In addition, under the condition that paper currency is in circulation, it is also necessary to consider the value the paper currency represents. With regard to the relation between demand and supply, it is necessary to consider both the conditions of demand and supply and their short-, medium-, and long-term trends of development. As for policies, it is necessary to utilize fully the objective functions of the economic laws of commodity to implement specific policy intentions such as the adoption of high price policy, low price policy, such as the adoption of high price policy, low price policy, protective price policy, fixed price with subsidies, and so on. This should be done in conformity with the requirements of the socialist economic laws as well as the laws governing the commodity economy. Therefore, when fixing or adjusting prices, the first thing to do is use the value as the basis, and the fluctuation of prices should be based on the changes of value; second, the degree of price approaching or departing from value should be based on the conditions of demand and supply, and the rise or fall of price should be based on the changes of the relation of demand and supply; third, the policy requirements should be implemented on the above basis, and the price should be fixed in accordance with the extent of objective economic laws. Only when the planned price is formed in this way can the price be rational. Since the price system is a unified system formed by various planned prices on the market according to an inherent and comparable relationship, naturally the rational price system should employ the rational planned prices as units. In other words, the essential factors formed by the rational planned prices are the essential factors on which the inherent and comparable relationship in the rational price system can be established.

If this analysis is correct, the formation of the rational price system should should consist first of a rational relationship of value ratio, which reflects the objective requirements of the law of value, and second of the relationship between supply and demand of commodities, which reflects the requirements of the law of demand and supply, and third of the policy requirements toward commodities. The aim is to utilize fully the price levers to raise the social economic results and to expedite the realization of the aim of socialist production. Therefore, the formation of the rational price system should reflect both the requirements of the laws of commodity economy and the requirements of the economic laws of socialism; and in the laws of commodity economy, it should reflect both the requirements of the laws of value and the requirements of the laws governing demand and supply.

A prevalent view is that "the price should conform with the value." When discussing the irrational things in our existing price system and elucidating the necessity of reforming the price system, people often come to the conclusion that the price departs from the value. When proposing the establishment of a rational price system or setting up a standard for evaluating the price system, people often use as the criterion of whether the price conforms with the value, while excluding the relationship between supply and demand and the policy requirements. In particular, the relationship between demand and supply is often regarded as the cause forming the irrational price system, as if the relationship between demand and supply would make the price depart from the value. Some people simply hold that the rational price system should be based on the requirements of the laws of value. Although some people admit that the relationship between demand and supply should be taken into account, they still think that the law of supply and demand is not a separate law independent of the law of value, and that its entire content is already included in the law of value.

As a matter of fact, in our existing planned prices, there has long been the phenomenon of comparatively higher prices for long-term products and comparatively lower prices for short-term products. This violates the law of supply and demand, leading to long-term products becoming longer and short-term products becoming shorter. For some commodities, the relationship between supply and demand has changed greatly and significantly, but the prices remain the same for a long time. Therefore, it is one-sided to treat the irrational things in the price system as only the departure of the price from the value.

It is obvious that a rational price system depends first on a rational ratio of value. However, the two are not the same thing, and a rational ratio of value should not be regarded as the only basis for a rational price system. In fact, the formation and movement of price are restrained not only by the law of value, but by the law of supply and demand. When supply fails to meet demand, prices rise; when supply exceeds demand, prices fall. The rise of price can stimulate the development of production and the increase of supply, while inhibiting demand; the fall of price can stimulate demand, while inhibiting production and supply. This is independent of man's will. Since value can be realized through the market, the form of expressing value -- the price -- cannot but be restrained by the market's environment and condition (primarily the relationship between supply and demand). In order for price to conform with value, demand and supply must be in a state of equilibrium, it is certain that price will department from value; and price can conform with value only when demand and supply are balanced. This is a true expression of the law of supply and demand, and it should be taken into consideration when formulating or adjusting prices. In reforming the price system, if the ratio of value is taken as the only basis for fixing price with the aim of making price conform with value in every possible way, this is in fact amounts to the negation of the law of supply and demand and treats the law of value as the only basis. This means that the price is made to conform with the value even if the imbalance of demand and supply is quite obvious, resulting in the difficulty in establishing a rational price system. When supply fails to meet demand, the price should be higher than the value, so that production can be promoted, supply increased, and demand inhibited, and a state of balance can be achieved; under this condition, if the price is made to conform with the value, the state of supply failing to meet demand will become even more serious. On the other hand, when supply exceeds demand, the price should be lower than the value, so that production can be inhibited, supply decreased, and demand stimulated, and a state of balance can be achieved; under this condition, if the price is made to conform with the value, the state of supply exceeding demand will become even more serious. This will violate the law of supply and demand. The objective law is independent of men's will. If the planned price is arbitrarily made to conform with the value, the fluctuation of the spontaneous price (the black market) will become even more drastic. Therefore, a rational price system cannot be established if only the law of value is taken as the basis, the price is made to conform with the value, and the price system is established in accordance with the ratio of value.

A rational price system should take into consideration not only the requirements of the law of value, but also the law of supply and demand. Only when the planned price can reflect the requirements of the law of supply and demand is it possible to balance supply and demand and make the price conform with the value as much as possible. Hence, when the price system is irrational and many prices depart from their value, we should not rashly and indiscriminately make the price conform with the value. On the contrary, more importance should be attached to the functions of the law of supply and demand and the departure of the price from the value should be utilized to balance demand and supply, and this is what is needed in achieving a rational price system.

There are now comparatively more prices that depart from their value; these prices should not be indiscriminately called irrational prices. First, this is caused by the above market situation; second, the phenomenon of prices departing from value should be analyzed -- some are rational and some are irrational. Prices higher than their value under the condition of supply failing to meet demand are rational; prices adequately lower than their value under the condition of supply exceeding demand should be maintained. Irrational departure means: 1) prices departing from value under the condition of mainly balanced demand and supply; 2) under the condition of unbalanced demand and supply, prices lower than value for commodities the supply of which fails to meet the demand, but prices higher than value for those commodities the supply of which exceeds the demand; 3) under the condition of unbalanced demand and supply, prices higher than value too much or too little for those commodities the supply of which fails to meet the demand, or prices lower than value too much or too little for those commodities the supply of which exceeds the demand. All these should be adjusted. The extent of departure of price from value should be appropriate. Therefore, the problem does not come from the law of supply and demand, which has nothing to do with the irregularities in the price system. The problem lies in whether the requirements of the law of supply and demand are correctly reflected and on whether the prices are correctly formulated or adjusted in accordance with the conditions of demand and supply and their trend of developments.

The law of supply and demand is the law peculiar to the commodity economy and is a basic law in the circulation of commodities. So long as there is circulation of commodities, there exists the law of supply and demand. Furthermore, commodity economy does not belong to capitalist society alone, and it exists extensively and develops in socialist society. Hence, the law of supply and demand also exists and functions objectively in socialist society. The law of supply and demand must not be regarded as a law destined to function spontaneously. Just as the law of value can be understood and consciously utilized in socialist society, the law of supply and demand poses no exception. Therefore, we should never think that a rational price system can be established only on the basis of the law of value and according to the ratio of value, and should not erroneously think that the price system would be affected if the law of supply and demand is taken into account. The idea that the law of supply and demand is a spontaneous economic law is in fact to pit this law against the planned price and therefore the rational price system, and to regard the relation between demand and supply as a spontaneous factor that affects the planned price. The contrary situation is that without consciously understanding and utilizing the law of supply and demand, the planned price cannot be satisfactorily formulated or adjusted and a rational price system cannot be established.

For a long time in our country, owing to the divergence of theoretical understanding, either the objective existence of the law of supply and demand was not recognized, or it was arbitrarily included in the law of value without acknowledging its independent existence. Up to now, the former understanding has been on the decline, but still quite popular is the latter, which regards as the expression of the function of the law of value all these phenomena: The fluctuation of the price under the influence of supply and demand which relfects that the value is the axis of the price movement; the phenomenon of the price moving toward or departing from the value. As a matter of fact, the requirement of the law of value is that the price should conform with the value determined by the social requisite time of labor; the value determines the price, and requires that the price should fluctuate around the axis of the value. However, the law of supply and demand requires that the price should fluctuate along with the changes of demand and supply and rises and falls with the change of conditions of demand and supply. The relationship of demand and supply cannot determine the value and cannot determine the condition governing the changes of the price around the axis of value. However, it can determine the rise or fall of prices, which makes it possible for this relationship to affect the movement of the price toward value or the departure from the value. The law of supply and demand and the law of value are two different things. One forms the basis for price; and the other determines changes of price. The association between them is that the functions of the law of supply and demand lead to the change of price, which makes the price fluctuate around the value. Hence, the function of the law of value must depend on the function of the law of supply and demand for its implementation. Furthermore, the association between the law of value and the law of supply and demand does not obliterate the difference between them, and the law of supply and demand can in no way be included into the law of value. We cannot negate the fact that the law of supply and demand is also a basis for establishing a rational price system, and we cannot regard the law of value as the only basis.

A rational price system should not only base itself on the requirements of the law of value and the law of supply and demand, but should also take into consideration the requirements of policy. Since we want to establish a socialist system of planned prices, we have to consider socialist principles as well as the laws governing the commodity economy. In other words, the price system should be beneficial to the consolidation of socialist public ownership, development of the socialist economy, impelementation of the socialist relation of exchange and mutual cooperation, and realization of the planned economy. In short, the requirements of the socialist economic laws must also be reflected. In the past, it was overemphasized that socialist principles be strictly adhered to and that the price system conform with the requirements of the socialist economic laws; policy was regarded as the only basis, giving little consideration to the law of value and negating the law of supply and demand. Naturally, this was wrong. However, we should not now rely only on the requirements of the commodity economic laws for achieving a rational price system and take no heed of policy requirements. For example, subsidies were indiscriminately granted in formulating and adjusting prices and an irrational policy of purchasing at high prices and supplying at low prices was practiced, resulting in a heavy burden for the state; on the contrary, some people now hold that subsidies are bound to hamper the normal development of the commodity economy and policy requirements are certain to hinder the functioning of the economic laws.

As a matter of fact, in the development of the commodity economy, there also exists the problem of the superstructure serving the economic basis. Naturally, this service also comprises utilizing state subsidies to facilitate the development of the socialist economy. The problem is not whether we should grant subsidies, but that the subsidies granted be truly required by the development of the socialist economy and be within the financial resources of the state and that subsidies should never be used to protect backwardness. Similarly, policy and economic laws are not inherently contradictory. No doubt, policy belongs to the superstructure and is the product of subjective thinking. However, if policy can suit the requirements of the economic basis and correctly reflect the requirements of the economic laws, it will certainly not hamper the normal development of the commodity economy, nor will it hinder the functioning of the economic laws. On the contrary, a correct policy can serve the economic basis and pave the way and provide a good environment for the functioning of the economic laws; furthermore, under the socialist conditions, a correct policy can reduce the impact and evil effect of the blind and spontaneious functions of the economic laws, thus providing favorable conditions for consciously utilizing the economic laws.

From the above, it can be seen that a rational price system cannot be established without giving due consideration to the law of supply and demand and to policy requirements. If the price is arbitrarily made to conform with the value, thus making the price system equivalent to the ratio of value, the end result will be chaos and hindrance for the normal development of the national economy, making it difficult for the economic reform to proceed. This is because such practice will make it hard for the price lever to function, thereby leading to the following consequences:

1. The development of production will be unable to cope with the structure and the changes of the consumption needs. That is to say, it will be difficult for economic development to proceed harmoniously and on a proportionate basis. This is because the prices of products failing to meet demand will tend to be low, which will prevent the flow of the social funds, manpower, and material resources to the departments producing these products; on the other hand, which will hamper the withdrawing of the social funds, manpower, and material resources from the departments producing these products.

2. It will hamper the improvement of the varieties and patterns of products, and will particularly hamper the enhancement of quality. Very often, some products with superior quality and wide acceptance among customers are unable to meet demand, but their prices are comparatively low due to the above practice, which will discourage the producers from maintaining the fine varieties and quality of their products; on the other hand some products with poor quality and poor acceptance among customers exceed demand, but their prices are still comparatively high due to the above practice, which will discourage the producers from endeavoring to improve the varieties and quality of their products.

3. It will be harmful to the organization of commodity flow. For example, in some regions in which supply cannot meet demand, the above practice makes it impossible to raise the prices to some extent, which will hamper the in-flow of commodities from other regions; whereas in some regions in which supply exceeds demand, the above practice makes it impossible to lower the prices to some extent, which will hamper the out-flow of commodities to other regions. Another example is that when supply exceeds demand in some periods in which production rises but sales drop, the above practice makes it impossible to lower the prices to stimulate consumption; whereas when supply cannot meet demand in some periods in which production falls but sales rise, the above practice makes it impossible to raise prices to inhibit consumption. A further example: When a certain commodity is in short supply, the above practice makes it impossible to widen the price differential between purchase and sales for wholesale business so as to encourage purchase from both local and outside sources; whereas when supply exceeds demand, the above practice makes it impossible to widen the price differential between wholesale and retial business to encourage marketing and the flow of commodities from cities to the countryside.

4. It is not beneficial to stabilizing the people's livelihood and guiding the people in improving their consumption. This is because the above practice makes it impossible to maintain adequate prices by granting requisite subsidies to people's daily necessities when commodities are in short supply and when prices rise; whereas it is impossible to encourage and guide consumption by adquately lowering the prices of commodities that suit the people's needs when the supply exceeds the demand and commodities are overstocked.

5. It will be unable to encourage the adoption of new technology and new products. New products and new technologies are often high in cost and their sales are limited because they are still not widely accepted by customers or factory end users. If subsidies are not adequately granted and their selling prices are not adequately taken care of, it will be impossible for these products to gain good sales or to compensate their losses, and in this way it will not be possible to give encouragement to reduction and marketing.

6. It will be unable rationally to utilize resources and materials to ensure the normal speed of economic construction. If the price must conform with the value, it will be impossible to raise the prices of rare and precious materials and their products so as to prevent waste; or inversely, it will also be impossible to lower the prices of abundant materials and their products to encourage consumption or to replace rare and scarce materials.

7. It will be unable to ensure the important revenue of the state. A considerable portion of state revenue and taxes comes from the profits and taxes of high-priced commodities (including television sets, refrigerators, recorders, watches, electrical home appliances, as well as wines and cigarettes). If the price must conform with the value, these high-priced commodities (the extent of price higher than the value should of course depend on the level of purchasing power and the condition of demand and supply) must be sold at ordinary prices. How then can the requisite state revenue be ensured?

8. It will be unable to protect the interests of regions that are remote and have backward economies as well as the minority regions, and it will be impossible to assist these regions in developing economy and improving the people's livelihood with the aim of promoting the harmonious development of the economy of various regions and strengthening If the price must conform with the value, under the condition that labor productivity is low and cost is high in these regions, it will be hard to facilitate production of the purchasing price is not favorably fixed; at the same time, the products in these regions are not in abundant supply, and they have to take in a great amount of advanced technologies, materials, and industrial products, but their transportation route is long, inconvenient and costly, and if they cannot get preferential terms in their purchases and sales, it will be hard for them to endeavor to protect and improve consumption.

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CSO: 4006/1047

ESTABLISHMENT OF PRODUCTION BASES IN NORTHEAST CHINA

SK220554 Shenyang DONGBEI JINGJI BAO in Chinese No 35, 5 Apr 86 pp 1, 4

["Excerpts" of speech by Wang Luming, deputy director of the Northeast China Economic Zone Planning Office of the State Council, delivered at the forum on rural development of the Northeast China economic zone: "Cooperate To Develop Rural Commodity Production Series"--date not given]

[Excerpts] The provinces in Northeast China, as a complete economic zone, are closely related to one another in terms of either history or geographical positions. Such relations become all the more close, in particular, during the socialist modernization drive, and following the development of the commodity economy. It is an objective requirement of the development of the socialist commodity economy to carry out discussions between the east and the west, or between the north and the south areas of the economic zone, or to carry out exchanges among the provinces and the region to promote lateral economic cooperation. It will certainly facilitate a rapid development of our socialist construction.

This forum is the first one to study rural development since the establishment of the Northeast China Economic Zone Planning Office of the State Council. I will now give some opinions on the rural development of the Northeast China economic zone and, in particular, on how to cooperate to develop commodity production series.

Strengthen the Building of the Various Categories of Production Bases in the Rural Areas of the Zone, and Develop Rural Commodity Production Series

The Northeast China economic zone is one of the important industrial as well as agricultural bases of our country. During the "Sixth 5-Year" Plan period, the state will also prepare to establish several commodity production bases one after another in this zone, such as soybean and corn export bases, fine-quality rice bases, forestry and timber bases, animal husbandry bases, aquatic product bases, apple and berry bases, and American ginseng bases.

Based on the economic situation of Northeast China, we should give priority to the establishment of the following kinds of agricultural bases to develop commodity production series.

1. Establishment of marketable grain bases, and grain and soybean production series.

The Northeast China, in particular the Songliao, Songnen, and Sanjiang plains, and the central chernozem area, is one of the important marketable grain production bases of the country. Thanks to the household output-related contract responsibility system, the situation in grain production was very good during the "Sixth 5-Year" Plan period, and the results and contributions were significant. During the "Sixth 5-Year" Plan period, the average annual grain output was close to 100 billion jin, and the output of 1984 alone reached 103.1 billion jin. The population of that year was 102.38 million and, therefore, the per-capita amount of grain was 1,003 jin, 200 jin more than the national average. In 1985, the grain output of the zone declined by about 24 billion jin due to floods. It is not difficult to see from this that how to stabilize and develop the grain production of Northeast China is an important task for study. The state places fairly great hopes on the grain production of northeast China during the "Seventh 5-Year" Plan period, and has assigned us fairly heavy tasks. The 1986 target is 97.52 billion jin, of which 27.5 billion jin should be produced by Liaoning, 30 billion jin by Jilin, 33 billion jin by Heilongjiang, and 7.02 billion jin by the three leagues and one city in the eastern part of Nei Monggol. The 1990 grain production target for the entire Northeast China will be 110.6 billion jin, 7.5 billion jin more than in 1984, which marked a year of bumper harvest.

We should also attach great importance to land in order to guarantee a stable grain growth. Land, mainly farmland, is the basic means of production needed in the process of grain production. At present, there are two problems concerning land. The first is the continuous reduction of farmland. We can say that in Northeast China, farmland has been occupied to a serious extent. As far as I know, as much as some 1 million mu of farmland was occupied in a year in Heilongjiang when the situation was worse. Thanks to improved management, farmland occupied for capital construction use was reduced to 200,000 mu in 1985. In Liaoning Province, 560,000 mu of farmland was occupied for capital construction use in 1985. The second problem is the general reduction of the fertility of farmland. The reasons for the fertility reduction are aggravated by land erosion, and the low input to farmland and slackness in field management. We should pay close attention to these problems. There are still two basic ways of grain production. One is intensive farming to increase per-unit yields, and the other is to have sufficient areas for planting.

2. Establishment of forestry bases, and timber and other forest product production series. Abundant in forest resources, Northeast China now has 35.34 million hectares of forests, amounting to 28 percent of the total area. Forest reserves are also very considerable.

Since the founding of the PRC, Northeast China has scored great achievements in forestry, and made tremendous contributions to the economic construction of the state. However, consumption of resources outstripped their growth, and the present forest crisis has become increasingly serious.

It is necessary to greatly develop diverse undertakings and multipurpose utilization on the premise of gradually restoring the benign cycle of forest areas and maintaining an ecological balance in order to turn the advantage in resources into economic advantage. Forestry production should be commercialized and serialized, the relations among lumbering, tree planting, and marketing should be brought into balance, pre- and post-production service should be successful, and forest products should be greatly developed. In building forests, we should, on the one hand, successfully build forest bases in mountainous areas and, on the other, build shelterbelts and fuel forests in the vast plains. We should pay particular attention to the building of shelterbelts in the North, Northeast, and Northwest China. We should implement the policy of taking forest cultivation as the foundation. In forestry development, we should exert persistent efforts, support the forests which need long growing period with those needing short growing period, and emphasize the cultivation of young and middle-aged forests and fast-growing and high-yielding forests.

3. Establishment of animal husbandry bases, and various animal husbandry product production series. Northeast China is provided with favorable conditions for animal husbandry development. There are vast grasslands in the three leagues and one city of Eastern Nei Monggol, and the acreage of the grasslands of Liaoning, Jilin, and Heilongjiang Provinces is nearly 100 million mu. The world-famous Hulun Buir great grassland, the Songnen grassland, and the grassland in the Sanjiang plain are all located within our economic zone. We are really richly endowed with nature to have such good bases for animal husbandry development. In reality, however, our animal husbandry development is far from being ideal. Take the meat targets of Liaoning, Jilin, and Heilongjiang of 1984. The total meat output of Liaoning Province was 1.16 billion jin, with the per-capita amount of 31.7 jin; that of Jilin was 570 million jin, with the per-capita amount of 24.9 jin; and that of Heilongjiang was 700 million jin, with the per-capita amount of 21 jin. All the three provinces lagged behind the national average of 33.81 jin in terms of per-capita meat output. The planned targets of 1986 are higher than those of 1984 and 1985, with the target of Liaoning being 1.26 billion jin, that of Jilin being 700 million jin, and that of Heilongjiang being 850 million jin. However, the situation of shipping pork in from the areas inside the Shanhaiguan will remain. According to the state plan, 35,000 tons of pork will be shipped to these three provinces, with 5,000 tons to Liaoning, 5,000 tons to Jilin, and 25,000 tons to Heilongjiang. Egg and milk supply of these three provinces are slightly better than other areas of the country. In short, animal husbandry is a very weak link of Northeast China. According to statistics, the secondary productive forces of the three northeast provinces are, in general, low. Meat output from per 100-mu farmland is merely 1,034 jin, slightly higher than the Loess Plateau only in the country, amounting to one-eighth of that of high-yielding areas of the country, and amounting to one-tenth of that of advanced countries of the world. Therefore, we should see our difference as well as potential, make the best use of the favorable conditions of the Northeast China Economic Zone, greatly develop animal husbandry, and upgrade the position of animal husbandry in the rural economy.

While developing animal husbandry in farming areas, we should also develop it in pastoral areas. Pastoral areas should also develop diverse undertakings as mountainous areas do, and carry out multipurpose utilization. As farmland, grassland should also be managed more intensively, and be improved. The new grass production industry should become an important branch of industries. We should combine farming and animal husbandry, carry our serialized production of meat, milk, eggs, wool, and fur products, and coordinate production, supply, and marketing.

4. Establishment of aquatic product production bases, and commodity production series. The Northeast China economic zone has 2,492 km of coastline, accounting for more than 10 percent of the nation's total, 19.1 million mu of shallow waters, 2.45 million mu of beaches, and 930,000 mu of reef areas. It also has many rivers, lakes, and reservoirs in its inland area, which constitute a favorable condition for aquiculture. Over the past few years, through the contract system, the cooperation with other areas, and the policy of opening to the outside world and enlivening the domestic economy, Northeast China achieved great development in aquiculture. According to statistics of Liaoning, Jilin, and Heilongjiang, the 1985 output of aquatic products was 612,000 tons, of which 530,000 tons were produced by Liaoning, 60,000 tons by Heilongjiang, and 22,000 tons by Jilin. Judging from the resources, however, the potential is still very great. According to an investigation report on Liaoning's agricultural resources, the areas of shallow seas that have been already utilized amounted to only 9.7 percent of the total, the utilized beaches amounted to only 21.9 percent of the total, and the utilized rocks and reefs amounted to only 3 percent of the total. Inland water areas have yet to be fully used.

The state has assigned a task of producing 661,000 tons of aquatic products to Liaoning, Jilin, and Heilongjiang in 1986. Of the total, Liaoning should produce 570,000 tons, Jilin 25,000 tons, and Heilongjiang 66,000 tons. The task for 1990 is 660,000 tons [as published], of which 700,000 tons should be produced by Liaoning, 60,000 tons by Jilin and 100,000 tons by Heilongjiang.

In the production of aquatic products, we should make a success of both marine products, and fresh-water products, of both staple products, and rare products. Northeast China produces many kinds of aquatic products, such as sea cucumber, prawn, oncorphnchus keta, red trout, surgeon, and dabai [1129 4101] fish in Xingkai Lake. They are well-known at home and abroad. We should conscientiously organize their production.

5. Establishment of dried and fresh fruit bases, and commodity production series. Known as the "home of apples," Liaoning is one of the important fruit production bases of the north China. It has a long history of fruit production, rich resources, and many varieties. At present, it has nearly 5 million mu of orchards, and in 1985 alone, its fruit output was 16 million dan (its highest annual output of 20 million dan was reaped in 1983), of which 14 million dan was apples, accounting for 25 percent of

the total apple output of the country, and ranking second. About 80 million jin was exported a year, which represented about 60 to 70 percent of the total export volume of the country.

6. Do a good job in vegetable and nonstaple food production bases on city outskirts, and commodity production series. With fairly developed industries, Northeast China has 62 large and medium-sized cities with 35 million residents. The percentage of urban residents is higher than the national average, and the ratio of urban residents to rural residents is 4 to 6. This means that the vegetable demand of our urban population is greater than the national average. In addition, vegetable growing period is short in north China. Therefore, the task to ensure vegetable supplies to cities, industrial and mining areas, and forest areas is more arduous in Northeast China.

Greatly Develop Township Enterprises, Operate Rural Industries to Support Agricultural Production, and Expand the Rural Economy in a Coordinated Manner

While developing agriculture to maintain economic stability, we should exert great efforts to develop industries to achieve prosperity, and to develop commerce to enliven the economy. As an important component of the rural economy, township enterprises have been expanded fairly rapidly in Northeast China over the past few years. In 1985, the output value of the township enterprises of Liaoning Province was 13.2 billion yuan, showing an increase of 47.6 percent over that of 1984. The output value of the township enterprises has amounted to more than 50 percent of its total rural product. The output value of Heilongjiang increased from 2.87 billion yuan in 1984 to 4.17 billion yuan in 1985, a 45 percent increase. Generally speaking, the development of township enterprises in Northeast China has been rapid over the past few years, but still lags rather far behind its resources foundation, technological conditions, and geographical position. We should give full play to our own advantage, strengthen lateral cooperation, develop township enterprises more successfully, and make them more flourish. We should work out good plans, and open up more avenues.

The development of township enterprises should be based on agriculture, which in turn will be promoted by township enterprises. In the No 1 document issued this year, the central authorities put forward the need to coordinate the development of agricultural and rural industries, and to implement the policy of supporting agricultural production with rural industries. This will certainly promote agriculture. The state has decided that in the coming 5 years, 1 billion yuan from the taxes levied from township enterprises will be set aside every year to serve as special funds for supporting agriculture, and is working out plans for this. In short, we should properly handle the relationship between agriculture and rural industries, make them supplement each other, and develop them simultaneously.

Develop Later Economic Cooperation, and Promote the Rural Economic Reform

Lateral economic cooperation is a requirement of the development of the socialist commodity economy, and also a requirement of large-scale socialized production. It is one of the basic prerequisite for the existence and development of the commodity economy. There will be no commodity economy without it. Lateral economic cooperation also serves as a strike to the barriers between different departments and different regions. These barriers are obstacles to the development of the socialist commodity economy. In this sense, expansion of lateral economic cooperation helps eliminate the barriers.

What we should earnestly study now is, in the realm of the rural economy, particularly in the Northeast China economic zone, how we should expand lateral economic cooperation, in what fields we should seek cooperation, what the content of the cooperation should be, what forms or measures we should adopt, what principles we should abide by during cooperation, etc. All of these are new questions. We should study well the State Council's "Regulations on Some Questions Concerning Further Promoting Later Economic Cooperation," and expand the cooperation in line with the actual conditions of the development of the rural commodity economy.

Following the development of agriculture, the role of science and technology becomes more and more important. In order to develop agriculture rapidly, we should greatly strengthen agroscientific research, and application of technologies, increase intellectual investment, upgrade peasants' scientific and general knowledge levels, and train technical personnel. The agroscientific research institutions in Northeast China should fully perform their functions, and contribute their efforts to the modernization of agriculture.

In conclusion, I will point out that as a complete economic zone, Northeast China should conscientiously study the strategy for the rural development, and work out an overall rural development plan corresponding to the situation of the Northeast China economic zone. It should study strategic goals for development, strategic ideology, strategic distribution, and strategic measures. We should work out a rural development strategy for the entire Northeast China economic zone on the basis of the study of individual provinces and the region.

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CSO: 4006/1064

BRIEFS

NINGBO INTERNATIONAL AIRPORT CONSTRUCTION--Ningbo, May 20 (XINHUA)--Ningbo, a major port city in Zhejiang Province, is opening up international air routes, reconstructing scenic spots and expanding the number of hotel rooms to meet the needs of overseas tourists and seamen now coming in greater numbers. The coastal city's first international airport is under construction and is expected to be put into use next year to cater to overseas tourists, the number of which has grown at an annual rate of 37 percent since 1979. [Excerpt] [Beijing XINHUA in English 1108 GMT 20 May 86 OW] /6662

CSO: 4020/334

TIANJIN PLANNING TO EXPAND INDUSTRIAL BASE

OW251934 Beijing XINHUA in English 1542 GMT 25 Apr 86

[Text] Tianjin, 25 April (XINHUA) -- Tianjin, north China's biggest port and major industrial base, will build an industrial estates for metallurgical, chemical, woolen textile and petroleum factories in an area east of the city during the Seventh 5-Year Plan (1986-1990), according to Major Li Ruihuan.

China's new 5-year plan was adopted earlier this month at the national people's congress. Local governments are working out their own plans according to the targets and tasks set in the national plan.

At a meeting of the Tianjin municipal people's congress now in session, Li said the city will build a plant with an annual capacity of 500,000 tons of seamless steel tubes and a large copper factory, expand chemical fiber and three woolen textile mills and update three chemical works.

The output of the Dagang oilfield will be raised and the petroleum refinery improved.

As for the nearby economic and technical development zone, construction will be concentrated on a three sq km industrial district and a 1.2 sq km housing area in the next 5 years. The zone's industrial output is expected to reach 10 billion yuan by 1990, doubling the 1985 figure.

By the end of 1985, contracts had been signed with overseas businesses for 20 joint ventures and cooperative enterprises in the zone.

Meanwhile, he said, new berths will be built at Tianjin's new harbor to raise its capacity by 55 percent. Also, the airport will be updated and new air services added.

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CSO: 4020/307

GANSU PLANNING, FINANCE CHIEFS REPORT TO PEOPLE'S CONGRESS

HK100315 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 9 May 86

[Excerpts] The fourth session of the sixth provincial people's congress held its second full gathering on 9 May. Li Ping, chairman of the provincial Planning Commission, delivered a report on the execution of the national economic and social development plan for 1985 and the draft of the 1986 plan. (Wang Guoxiang), deputy director of the provincial finance department, reported on the final accounts for 1985 and the draft budget for 1986.

Responsible comrades including Li Ziqi, Li Dengying, and Wang Bingxiang attended the gathering. Also present were Wang Shitai, member of the Central Advisory Commission; and Yang Zhilin and Li Keru, members of the national CPPCC.

(Wang Guoxiang) said: The province's total financial revenue in 1985 was 2,789,450,000 yuan. Total expenditure was 2,419,490,000 yuan. The province had a net surplus of 139.88 million yuan, an increase over the previous year's surplus.

Li Ping said in his report: The province must strive to fulfill nine major plan targets this year. This is the initial year of the Seventh 5-Year Plan. Doing a good job in arranging this year's plan is of great importance for invigorating Gansu's economy. He said: The major targets for this year are as follows:

1. The draft plan calls for an increase of 8 percent in industrial and agricultural output value this year, and for efforts to achieve a 10 percent increase.

2. On the basis of grasping grain production and ensuring steady growth in its output, readjust the rural production structure in a measured way.

3. Get a good grasp of production and construction in energy, communications, and raw materials and their processing industries. We should also develop the food, clothing, and consumer durables industries and strive to improve product quality. We should increase output of best-selling products.

4. Strictly control investment in fixed assets and seriously readjust the investment structure.

5. Further invigorate circulations, control the rise in the price index, and improve material supplies.

6. Increase exports and earn more foreign exchange. We should do a good job in managing and using foreign exchange.

7. Get a good grasp of supporting poor areas and speed up the pace of transforming their appearance.

8. Speed up the progress of science and technology and the work of exploiting brain-power, and vigorously develop various social undertakings.

9. Reform the planning structure and promote theestablishment of lateral economic ties.

Li Ping said: The province's current economic situation is very good, but there are also many difficulties and problems. It will be rather difficult to carry out the plans. We must persevere in reform, clear the way to forge ahead, do our work in a thoroughly sound way, and take positive and effective measures to fulfill and overfulfill the targets for this year.

(Wang Guoxiang) said in his report: We must work hard to increase revenue and economize expenditure and strive to fulfill the revenue and expenditure plans for 1986. The financial revenue task allocated by the state to our province this year is 1,771,310,000 yuan. After making a 14.92 million yuan allowance for reduced or waived agricultural tax on 70 million jin of grain, the province's planned revenue is 1,756,390,000 yuan. After allowing for various price and other subsidies totalling 98.88 million yuan, the province's budgeted revenue is 1,855,270,000 yuan, an increase of 7.23 percent over last year.

(Wang Guoxiang) said: The guiding idea on fiscal work in Gansu this year is to promote production, improve economic results, get a good grasp of revenue, control expenditures, and ensure the key points while taking care of the rest.

He said: Gansu's production continued to rise in the first quarter of this year, and revenue rose by 23 percent compared with the same period last year, while expenditures rose by 20 percent. This has laid a good foundation for accomplishing this year's budget.

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CSO: 4006/1064

ECONOMIC MANAGEMENT

VICE PREMIER TIAN JIYUN ON PRICE REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 3, 23 Mar 86 pp 4-6

[Text] Vice Premier Tian Jiyun said: Last year price reform took a major step forward. This year we must consolidate, digest, complement and perfect whatever measures have already been taken, to keep commodity prices basically stable.

Price reform is the key to success or failure in the reform of the entire economic structure. Smooth progress in reform of the encomic system depends to a very large deree on the price reform. Recently, a reporter of this publication interviewed Vice Premier Tian Jiyun on the circumstances of last year's price reform and on the policy and task of this year's price reform.

[Question] Will you, Vice Premier Tian, first of all be kind enough to state your basic views on last year's price reform.

[Answer] Last year's price reform can be roughly summarized in three sentences. First sentence: It was a year of great progress. Last year's price reform was, in retrospect, a very large step forward, and it was accomplished comparatively smoothly. Generally speaking, the price reform was on the right track; it went on in a normal way, and its results were good.

Second sentence: It was also a year of plentiful problems. Of course, there were many different reasons for such problems to arise. In a reform it is impossible to entirely avoid the emergence of all kinds of problems.Price control departments and other relevant departments have done much work to solve these problems. Some problems have already been solved, while others are in the process of being gradually resolved.

Third sentence: It was also a year of intensive struggle. To ensure smooth progress of the reform, and to gain the anticipated results, the party committees and people's governments at all levels have been intensively at work. Comrades of the price control departments have closely cooperated with comrades in other relevant departments, have worked cautiously and attentively, earnestly and assiduously. All quarters have made tremendous efforts and have achieved very great contributions.

[Question] What reforms were made last year with regard to prices?

[Answer] Last year, we took important steps forward in the price reform. First, we regulated and straightened out the procurement and sales prices for grain in the countryside. This was a problem that had been building up over many years; it was resolved last year. At the same time, the system of procurement of grain, cotton, edible oils and other important agricultural and sideline products was reformed and changed from a system of centralized and assigned procurements to a system of purchases by contract. This was of major significance in the promotion of the commodity economy in the rural areas. Second, we readjusted the procurement and sales policy for live hogs, and everywhere freed prices for pork, vegetables and other fresh and live nonstaple foods. It was in this most sensitive area, so closely linked with the livelihood of the masses and posing the greatest difficulties to the reform, that a very major step forward was accomplished. Many countries regard this area as one where it is most difficult to effect reforms; we have passed this stage comparatively smoothly. Third, we have adjusted railway freight rates for shorter distances. This item of reform has also had good results; it gave highways and waterways the chance to become distribution lines on par with the railway. Moreover, we instituted a "twin tier system" in the prices for the means of production and opened up prices for small commodities; there was further progress in all these areas. In short, last year's price reform was a great step forward in the direction of regulating and straightening out our pricing system. These measures had a positive effect on economic developments, and results will become even more evident as time goes on.

[Question] Why were price increases last year of such magnitude?

[Answer] Last year, we had indeed the problem of excessive increases in the commodity price indices. Nationwide it rose to as high as 9 percent, but the increases were, of course, unequal in different areas, but particularly large on the big cities. The following are roughly some of the reasons forthe magnitude of commodity price increases last year: First, the structural adjustment of prices. This was an adjustment, carried out on our own initiative, to regulate and straighten out our system of prices. Second, since the fourth quarter of 1984, the scale of capital constructions had been excessively large, the speed of industrial development was excessively high, there was a steep increase in consumption capital, too much currency was put into circulation, and demand for many goods exceeded supply.All these factors caused commodity prices to go up. Third, most prices for agricultural and sideline products were freed, and the prices for unplanned industrial means of production rose, spurring on price increases for a part of the consumer goods. Fourth, deficiencies in specific areas of work. Most conspicuous is the vegetable problem. After freeing prices for vegetables,there was no response in many large cities by a corresponding increase in work performance. Planned vegetable planting was not properly carried out, and distribution channels were not opened up. This resulted in large increases in the prices of staple vegetables. Fifth, several industrial and commercial enterprises and individually operated businesses and factories violated the state's policy on commodity prices, raised their prices indiscriminately and charged exorbitant prices. Although we took this problem firmly in hand, supervision and investigation are not yet fully effective.

[Question] Although commodity prices have risen,living standards have been rising too; is that not the actual situation?

[Answer] This is a fact; this is a very objective way of looking at the problem. Although the magnitude of commodity price increases in the course of our price reform was somewhat larger than in the past, the people's income rose at the same time because the price adjustments promoted economic development. In the overall view, the magnitude of increases in the people's income exceeds the magnitude of commodity price increases. Statistics show that during the period of the Sixth 5-Year Plan the index of commodity prices rose 18.7 percent, while the average income of employees rose 68 percent, and the net income of peasants rose 109 percent. Of course, in the specific cases of every household's and every individual's income, conditions differ and there is no general balance.

[Question] In the face of the extremely large increases in last year's commodity prices, what measures is the state taking to solve this problem?

[Answer] The CPC Central Committee and the State Council give their utmost attention to this problem. and a series of measures for the resolution of the problem have been or are in the process of being taken.

Last year, we have in macroeconomic respects strengthened control over the scope of capital construction and consumption capital. These are important measures to solve the destabilizing factors that have appeared in the national economy, and with respect to controlling the upward trend in commodity prices they are radical measures, much as "removing the firewood from beneath the cauldron." To solve the problem of excessively high prices for vegetables in large and medium sized cities, we are demanding that certain areas in the suburbs be preserved for the growing of vegetables, and that the state-run commercial enterprises must control a large sector of the sources of staple vegetables. They must procure them and market them and thereby readjust, level out and bring down the prices. If necessary, a ceiling price may be imposed on certain important kinds of vegetables. As to the floating prices for important unplanned industrial means of production, ceiling prices have been prescribed. We have at the same time strengthened the investigation, control and supervision of commodity prices. The implementation of all thses measures has already shown good results, and they are bound to bring more obvious results in future.

[Question] What are this year's policies and tasks in our work in connection with commodity prices?

[Answer] This year the reform of the economic system will mainly consist of "consolidating, digesting, complementing and perfecting" the measures that have already been taken in the reform. We have to preserve the favorable points, eliminate shortcomings, and solve conspicuous problems. We must at the same time make preparations for the important steps in the reform that we shall be taking next year and the year thereafter. This is the policy for this year's reform of the economic system, as it is also the policy for the price reform. This year's task for commodity price work is: First, resolutely preserve the fundamental stability of commodity prices, and second, make effective preparations for next year's price reform. Price reform must be carried out step by step in a planned way. A comparatively large step forward in the price reform was taken last year. With due consideration for the financial capacity of the state, the capability of enterprises to digest and the capability of the masses to endure, we shall try to keep commodity prices basically stable this year, and will not enlarge on further reform measures.Even in the case of irrational prices for certain commodities, we should also only effect small adjustments, sometimes upward and sometimes downward. These adjustments will also mainly be for the purpose of consolidating, digesting, complementing and perfecting whatever reform measures have already been carried out. Items that should not be increased in price will certainly not be increased in price. It shall certainly not happen that in areas, in which we have this year not carried out large reform measures, a lot of small disturbances should take place, as a result of which there will be no solution of any problem, but on the other hand still the creation of a bad image. This would only create difficulties for next year's reform. We must now in good time bring up this problem so that everybody will pay attention to it. Governments at all levels and relevant departments must regard this matter of keeping commodity prices basically stable as an important task and conscientiously accomplish it.

[Question] What measures will be taken to maintain commodity prices basically stable during this year?

[Answer] We have to realize that maintaining commodity prices basically stable during this year is an arduous task, which requires the application of a variety of measures.It is particularly necessary to concentrate on the key points.First, in concentrating on key measures, it is important to strengthen and perfect the macroeconomic control, to take resolute measures to control the scope of investments in capital construction and to control the indiscriminate growth of consumption capital. At the same time it is necessary to produce energetically articles that suit the markets and sell easily and will, therefore, satisfy the needs of the market. Second, we must concentrate on key localities, especially on the big and medium-sized cities, especially the three directly administered municipalities and the provincial capitals. Third, we must concentrate on key articles. I agree that the prices of vegetables and nonstaple foods be considered key articles in the stabilization of commodity prices. One vegetable, one meat and one egg: effectively concentrating on these three nonstaple foods and stabilizing their prices will satisfy the masses. Vegetables are an important item among important items.We must make every effort to keep the prices of vegetables basically stable. Where vegetable prices rose excessively last year, we must devise means to bring them down again. Freeing vegetable prices will stimulate the enthusiasm of the peasants to grow vegetables, and larger quantities of vegetables will be brought to the markets. With last year's experiences and lessons to go by, we shall improve our work performance, and we shall, therefore, also be able to realize this demand. It is not permissible that vegetable prices in a locality remain high for a long time;

it would reflect that quality of work in that locality. Eggs, when in season, should be briskly bought up and stored by the state-run enterprises. This would, on the one hand, protect the interests of the producers and would, on the other hand, also protect the interests of the consumers. The price control departments must cooperate with the commercial departments to make a success of this work and to even out seasonal price fluctuations.

The price control departments must strictly hold the line against unreasonable demands for price increases, resolutely put a stop to such increases and under no circumstances be overlenient. All price adjustments must be measured against the situation as a whole. If a price adjustment appears reasonable from a partial view, but would pose a problem from the overall view, the part must by all means be subordinated to the whole, and the small part must be subordinated to the larger part; the large principle must prevail over the small principle.

We must strengthen the work of supervising and checking commodity prices. Whenever prices for certain commodities are freed, we must not forget about them and show no further concern for them. All prices must be subjected to necessary guidance, coordination, supervision and management. This is a type of guidance measure, but also a measure of complementing and perfecting. We must resolutely put a stop to methods of indiscriminate price increases and must severely punish violators of the state's commodity price policy. We must exercise the necessary guidance with regard to prices in urban markets and strengthen control over individual traders. The state represents the whole people, not only a certain section; we must protect the interests of the whole people and must live up to our responsibility toward the producers, businessmen and consumers. Only when the whole people can live and work in peace and contentment will long-term stability and unity be assured.

[Question] Would you please prognosticate the future prospects of China's price reform.

[Answer] Since the 3d Plenum of the 11th CPC Central Committee, we have been engaged in a systematic adjustment and reform of prices. Viewed comprehensively, there are two things that must be made quite clear: First, it is imperative to reform China's current price system, as it would otherwise be impossible to regulate and straighten out the economic relations in all sectors, it would become impossible to achieve the long-term healthy development of the entire national economy, and the many contradictions in economic life would not only become impossible to overcome, but would grow even much more acute. In the long-term view, this would be detrimental to the economic development and to the improvement of the people's livelihood. Second, although there still remain different problems in the actual work of the reforms that we have carried out in all these respects during the last few years, we may say in general that successes have basically been achieved. The problems that emerge in the price reform can only be resolves by further perfection of the reform; under no circumstances must we reverse ourselves. These two points are our fundamental realizations with regard to commodity prices and price reform. Only by resolutely upholding these convictions can we further affirm our confidence in the price reform. This is highly important. Even if there are still great difficulties ahead in the price reform, we have already made an excellent start. In the course of actual practice, we have all gained a greater identity of views on the price reform and have gained the support of the masses. At the same time, by strengthening and perfecting the macroeconomic control, we are gradually eliminating the destabilizing factors which had emerged during the first stage of economic activities. All this provides us with the favorable conditions for the further pursuit of the price reform. I believe that if we will only unceasingly sum up experiences and lessons, painstakingly organize and diligently exert ourselves, it will indeed be possible to accomplish the objective of this year, namely to keep commodity prices basically stable. We will then also provide the price reform of the future with a better preparation than the preparation for the reform in previous years. The reform will then be better planned and achieve greater successes. We must have full confidence in these prospects.

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JINGJI GUANLI DISCUSSES REFORM OF COMPANIES

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[Article by Liu Jipeng [0491 4764 7720] and Liu Yan [0491 4282]: "A Preliminary Discussion on Several Questions Encountered in the Course of Company Reforms"--edited by Xu Xiaojiu [1776 1420 3773]]

[Text] Increasing the vitality of enterprises is a key link in the reform of the urban economic structure. At present the reform of the industrial management organizational system which revolves around this link is mainly centered on the question of administrative companies. It should be pointed out that administrative companies have played a certain role at the administrative organ level in governmental management of enterprises. However, as a form of economic organization, they are undesirable. A company is a form of economic organization in a commodity economy where there is a high degree of socialized large-scale production. If we link it and "administrative" together, we get "administrative company" which is theoretically illogical and which produces obstacles to economic development in practice. The lack of separation between government and enterprise functions in administrative companies, their severing of the economic relationships between enterprises, and their overcontrol of the enterprises under them has become one of the major obstacles to enlivening the enterprises. Thus, it is necessary to carry out thorough reforms in this respect. However, over the last year, the work of reforming administrative companies has met several difficulties which have restricted the deepening of reforms. This article will attempt to explore some of these problems with the aim of seeking out the advantages of carrying out the reforms.

1. The Question of "Two Levels of Legal Entity" in the Company Reforms

At present, as our nation does not yet have appropriate company laws, there has been a lack of research on the concept, characteristics, legal status, and other such questions in regard to companies under the conditions of a planned commodity economy. Thus, understanding is not uniform. During the company reforms, the general method was that administrative companies were turned into enterprises. However, the proposal did not clearly set down whether it was the management organ of the administrative company which was to be turned into an enterprise or whether the management organ was to turn all its subordinate companies into a new economic entity. Seen from the reform plans of several companies, only the company itself could handle licenses, and it became the legal entity of the enterprises. In fact, as the companies themselves do not have the conditions to engage in production and do not have the power to control the state planned supply of raw and semi-finished materials, many of them provide services to their subordinate factories in the circulation area both before and after production. In this way, old administrative industrial companies have changed into industrial product trading companies similar to enterprises. However, because the reform measures are not coordinated, many of the old functions such as the handing down of operational plans to subordinate factories, the appointment of factory directors, the regulation of the relations between the party and the masses, the arrangement of technical transformation projects, the examination and approval of income distribution plans, and so on must all be taken on by this new company. This gives rise to a very controversial question in the company reforms--the question of "two levels of legal entity." The basic essence of the "two levels of legal entity" is that in one company legal entities exist at two levels. The company itself constitutes the high-level company legal entity, which leads the various factory legal entities at a low level. For example, during the reforms operational service companies, joint companies, semi-intensive and loose production operations, joint operation companies, and so on have appeared. In general, they all retain the form of "two levels of legal entity."

We believe that the idea of "two levels of legal entity" is erroneous.

First, it is untenable on the theoretical level. Legal entities are like citizens in that they have independent characters in terms of the law and are fixed social organizations which are the subjects in enjoying civil rights and shouldering civil obligations. Legal entities have the right to independently deploy assets and can independently form organizations and arrange the sites of activities. They also have the capacity to independently bring suits and respond to suits. An enterprise's legal entity should maintain economic and legal independence. The legal entity in a collectively-owned enterprise bears civil responsibility for the assets of that enterprise while the legal entity in an enterprise owned by the whole people bears civil responsibility for the assets operated by that enterprise. Legal entities are equal. There is no relationship of upper or lower, or any differentiation between large or small, high or low.

In our nation, the significance of establishing a legal entity system lies in that it will enable the enterprises to really become socialist commodity producers and operators which are masters of their own operations, solely responsible for their own profits and losses, and able to develop and transform themselves, so that they can independently take on economic responsibility. When their operations are not good, resulting in losses or even bankruptcy, the responsibility cannot be taken on by a higher level responsible department or other legal entity. However, the idea of "two levels of legal entity" provides differentiation, in terms of enterprises' legal entities, between large and small, high and low.

Thus, independent assets of the enterprises' legal entities cannot be established. When the "small" legal entity incurs losses or goes bankrupt, it seems as if the "large" legal entity should take on the economic responsibility. This is clearly contrary to the aims of setting up the legal entity system in our nation.

What is worth noting is that some comrades who persist in advocating the "two levels of legal entity," in order to prove the rationality of their stand, cite the foreign examples of the relationships between parent companies and minor companies and between general companies and branch companies. This is an erroneous understanding. In foreign countries, in the relationship between a parent company and a minor company, the parent company exercises effective control over the important business activities and personnel arrangements of the minor company by controlling the shares of the minor company (for example by controlling 51 percent or above). However, the law stipulates that the minor company is not a component part of the parent company, much less a branch organ. Rather, it is an independent enterprise. Its independence is manifested in: The minor company has its own company name and regulations; it has independent assets, sufficient funds, and a balance sheet; it can independently call shareholders meetings and directors meetings and can participate in all sorts of business activities under its own name. It can be seen that between the parent company and the minor company there is no relationship of "two levels of legal entity." The reason the present company can control the minor company's business activities is that it controls the minor company's shares. In our nation, a funds market has not yet been formed and stock ownership is still being explored. There is no controlling share relationship between companies and their subordinate factories, and some only have the administrative leadership relationship between the company and factory which was formed under the old system.

Likewise, between a general company and a branch company there are not "two levels of legal entity." The branch company is a branch organ of the general company and does not have any independence or any individual character legally or economically. This is concretely manifested in the fact that the branch company has no independent name, regulations, or board of directors, that all its shares are held by the general company, that it has no independent balance sheet, and that its business operations are all decided on by the general company. The branch company engages in business only under the name of the general company and only in accordance with the general company's mandate, and the general company will use its assets to meet the branch company's liabilities. Thus, the branch company is not legally independent, and in terms of property, the branch company and the general company are mixed together.

Second, in practice this does not benefit the deepening of the reforms. If we allow differences between large and small legal entities, not only will the "large" legal entity bear responsibility for the "small" legal entity, but it will also have the power to exercise direct administrative interference in the operational activities of the "small" legal entity, and will be able to take on various of its administrative functions. The situation of there being no separation between administration and enterprise functions will continue to exist, but it will change from the "administration replacing the enterprise" to "the enterprise replacing administration." Also, after the company management organs change into new economic entities, it will produce apprehensiveness among the subordinate factories and they will worry that the company will only concern itself with its own interests and that in the question of material distribution it will differentiate between those near and those far. This phenomena has already appeared in some reformed companies.

If we say that reforming administrative companies is for the purpose of liberating enterprises from the administrative bonds produced by there being no separation between administrative and enterprise functions, then the proposal and methods of having "two levels of legal entity" will not basically resolve this problem. Rather, it will confuse the legal relationship between the legal entity, the company, and the factories. Thus, if the company reforms are to be deepened, it is necessary to abandon the concept of "two levels of legal entity."

2. Industrial Companies and Legal Status

After negating "two levels of legal entity," we need to further study the question of companies and their legal status. That is, who actually is the holder of the rights in regard to our nation's industrial companies? Who will assume the enterprises' legal status? During the reforms, some people have proposed changing the jurisdictional relationship of upper and lower into a partner relationship. This requires an answer as to whether the legal entity will actually be the administrative management organ which administers subordinate enterprises, and the company itself after it has been turned into an enterprise, or whether it will be a production operations composite formed from the company itself after it had been turned into an enterprise and its subordinate factories. This is a question which has caused constant debate in the Soviet Union and East European states for many years.

We believe that giving legal entity status to the administrative management organ is unjustifiable. Is it possible then to give legal entity status to the company itself after it has been turned into an enterprise? This is a fairly complex question. At present, a major indicator that our nation's enterprises have a legal entity position is that in the register of the state Administration of In-ustry and Commerce they have received a business license. In this, the registration of funds is an important facet of the registration procedure. This reflects the economic strength of an enterprise and the economic responsibility it should bear if it goes bankrupt. An examination of 44 industrial and commercial records in Chongqing and Beijing showed that the registered funds of companies which had been turned into enterprises were of three types: 1) Those which only included the property of the company itself--93 percent; 2) those which not only included the property of the company itself, but also included the fixed assets and total floating funds of their subordinate factories--5 percent; 3) those where the company itself has no property and there was only the total assets of subordinate factories--2 percent. From the first type, it seems that the legal person status of the company is naturally taken by the company itself after it is turned into an enterprise, and the company and its subordinate factories have a relationship of economic partners. This is legally feasible and seems to be economically rational. However, in such a case, what differences are there economically, legally, and in the relationship with the company itself between the company's external enterprises and its internal factories? Will the company only have administrative functions for its subordinate factories? We believe that at this stage, the internal nature of the companies has undergone changes and they are no longer companies in the original sense. Also, company entities which have been turned into enterprises do not, in the majority of cases, have productive capacity. They are only trading companies engaged in the circulation sphere. This should not be the direction of our nation's industrial enterprise reforms. In addition, the aim of reforming the administrative companies is not only, as some comrades believe, to have the people in the company support themselves. A more important aim is ti have our nation's industrial trade managem-nt move towards greater rationality. Some comrades advocate giving legal entity status to a production operation formed by the company itself after it has been turned into an enterprise and its subordinate factories. We endorse this understanding. However, it must be pointed out that the legal entity status of the subordinate factories must be abolished, and they must become production operation units within the company. If not, then it will be like the second and third types mentioned above as found during the examination. The company itself and all its subordinate factories will all register as independent legal entities, which will inevitably result in duplicate registration of assets, meaning that the amount of enterprises' assets registered will far exceed the actual amount existing.

In brief, our nation's industrial enterprises can be summed up as: Enterprise legal entities which engage in industrial production operations, which have operational autonomy in the handling of assets, and which are solely responsible for their own profits and losses. The companies should be complete, with unified accounting, unified tax payment, and unified credit. The enterprises' subordinate production operations units will not have independent legal entity status. In order to accord with a planned commodity economy system, internally the company should adopt an organizational structure with a high degree of separation of power and have small accounting units responsible for their own profits and losses, so as to fully motivate the enthusiasm of all of the production operations units.

3. Enterprise Alliances and Their Legal Status

Enterprise alliances are industrial organizational forms which have developed in recent years and which have great prospects. Their formation is different from the method under the old system whereby enterprises were "bound" together. They are economic alliance organizations formed under the conditions of continual development of socialized large-scale production and the commodity economy, through breaking through the divisions between regions, departments, and ownership systems, on the basis of enterprises' voluntary participation, mutual interests, equality, and consultation, and in accordance with the principle of "three no-change" (enterprises economic nature, the administrative jurisdiction relationship, and the channels for handing up taxes on profits), in order to strive for better enterprise and social benefits.

There are many and varied forms of alliance. There can be specialized coordination in production, operational supply and marketing alliances, or linking in terms of technology and information. There might be an enterprise alliance between enterprises which produce the same sort of product but which are situated in different areas, or there may be an alliance between enterprises which produce different types of products but which in their production technology have a close relationship. It may also be possible for those factories which have very competitive products on international or domestic markets to act as the "center" and to form alliances with various "satellite" factories in order to spur them on. The binding link between enterprises in an alliance can be a fairly stable long-term contract, agreement, or set of regulations, or it can be a management committee formed from representatives of the members of the alliance. It can also be a central factory. The various forms of horizontal economic combination put forward over the last few years, such as economic groups, economic blocs, and economic series are all forms of economic alliance.

Within the alliance, there does not exist "two levels of legal entity" because the combination itself is not an enterprise legal entity. If a combination needs to set up a management organ, it will only be a management organization to carry out coordination and provide service in the economic activities of the subordinate enterprises. It will have no independent property and will not be able to engage in operational activities, while the coordination and service work it does will have a democratic authoritative nature. If the enterprise members of an alliance are willing to have unified supply and marketing, then an industrial supply and marketing company can be set up. This company will be a legal entity and will not include or be included in the member organizations of the alliance. Between them there will be a relationship of economic partners. This type of relationship will be maintained by fairly long-term stable and preferential economic contracts, agreements, or sets of regulations, and it will not be a one-shot deal. Alliance contracts, agreements, and sets of regulations should be notarized so as to provide legal safeguards.

The Relationship Between Companies and Enterprise Alliances

Both companies and enterprise alliances are products of the commodity economy and socialized large-scale production. Correctly understanding and differentiating the nature and characteristics of the two has great importance in the company reforms.

An enterprise alliance is a primary form of alliance. None of the enterprises participating in the alliance loses its legal entity status. As soon as the alliance develops in depth, a merger of property and funds begins to occur between the allied enterprises. Finally, when this develops into a large economic entity, there occurs enterprise mergers, which result in the high-level form of alliance--the company. There are two types of this sort of merger: The first is assimilated merger. That is, when two or more enterprises merge, the legal entity status of a "central factory" is continued, while the legal entity status of the "satellite factories" is abolished. They become production operation units under the "central factory." The other type is merger through new establishment. That is, when two or more enterprises merge, the legal entity status of all the original enterprises is abolished and they newly establish a company with legal entity status. This newly-established company is an economic and legal entity comprising the entirety of the old enterprises. The contents and depth of this type of alliance causes the enterprises to undergo a "qualitative change." That is, it produces a trust company. Within an alliance, the entry or departure of an enterprise is, with the precondition of not violating agreements, completely voluntary. However, in a company, because the entire property of the company has been melded into a whole, the individual operational units and individuals can only transfer share rights in various senses. They cannot withdraw. None of the production operation units within the company has legal entity status.

At present the conditions are ripe for our nation to develop enterprise alliances. We should put great efforts into promoting the transformation of administrative companies into enterprise alliances. Recently in the company reforms, some enterprise alliances have been formed. However, they hang up a company shingle, resulting in enterprise alliances and companies becoming confused. This situation does not benefit the reforms and must be corrected. Of course, the experiences of industrially advanced nations have proven that a company is the most advanced economic organizational form and the most beneficial to improving enterprise and social benefits. The turning of enterprises into companies is a trend as the commodity economy and socialized large-scale production develop. We should recognize this trend and create conditions for the speedy development of companies in our nation.

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UNIFYING OWNERSHIP RIGHT, USE OF FOREIGN EXCHANGE VIEWED

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[Article by Zhang Shouyong [1728 0649 0516]: "The Right of Ownership and That of Use of Retained Foreign Exchange Should Be Unified" -- edited by Lin Daojun [2561 6670 0689]]

[Text] Beginning from 1 January 1985, the state has allowed adjustment of the ratio of retention of foreign exchange in foreign trade. In accordance with the principle of the linking of the creation of foreign exchange and the use of foreign exchange, and of whoever exports earns the foreign exchange and whoever creates the exchange uses the exchange, the various regions have stepped up organizing this adjustment, greatly aroused the enthusiasm of the various foreign trade and production enterprises to advance foreign trade, and promoted the technological transformation of the foreign trade and production enterprises. At the same time, this has played an active role in arranging and ensuring the sources of goods for export and developing and consolidating the production bases of the goods sources.

At present, the prices on the international markets of many of our export commodities have fallen while the state purchase prices in the country have continuously risen. The production cost of exports has also become increasingly higher. It has been very difficult to organize the supply sources of the export commodities. In particular, it is difficult to make state purchases of agricultural sideline products for export purposes. This holds for special produce and processed products. Hence, it is necessary to offer great help to the departments which supply the goods for export and help them to solve certain actual difficulties in their work of supplying export commodities. This should apply to their use of foreign exchange as well. At present, certain goods supply departments have created much foreign exchange, but have used very little of it. In order to adjust the economic interests of the units creating foreign exchange and units using foreign exchange and to arouse the enthusiasm of the foreign exchange creating units, in regard to the retained foreign exchange, it is suggested that the method of compensatory regulation and use of foreign exchange be adopted; that is, units not creating any foreign exchange, when using retained foreign exchange, or using in excess of the enterprise's retained foreign exchange, in addition to paying the state's prescribed foreign exchange rate, should pay a stated management fee or procedural fee so as to compensate the units creating foreign exchange for their losses. The exchange rate may be raised by 20 to 25 percent. Currently in the acutal work of organizing the sources of export commodities, whether or not the enterprise can obtain retained foreign exchange and how much retained foreign exchange, has in effect become an important condition in the negotiations on the purchasing prices between the enterprise doing the foreign trading and the enterprise supplying the export commodities. Whether or not there is any retained foreign exchange is closely related to the conditions of the supply of the commodities and, to a certain degree, plays a key role in this regard. Insofar as the enterprise is concerned, the current problem is that the right of ownership and the right of use of retained foreign exchange are separated from each other and that the regulation of the amount of exchange and the examination and settlement work of the plan of use of foreign exchange are under the control of different government organs. Hence, certain goods-supplying enterprises have entertained doubts as to whether or not they can obtain any retained foreign exchange and the right of use of it. In certain cases, they would rather give up the right of ownership of retained foreign exchange in exchange for certain "real benefits" in regard to the purchase prices. On the aprt of the foreign trade enterprises, they are also willing to take over the portion of retained foreign exchange normally belonging to the production enterprises for the sake of facilitating the arrangements for and making definite commitments on other sources of export commodities and supporting the production of export commodities. Nevertheless, what the commodities-supplying enterprises have ceded is the right of ownership of the retained foreign exchange and not the right of use of it. Thus, the existing method of foreign exchange control which separates the right of ownership from the right of use cannot allow the retained foreign exchange to fully play its role. In my opinion, the right of ownership and the right of use of retained foreign exchange should be unified. That is to say, the 12.5 percent belonging to the local governments should be subjected to the unified operation, examination, and approval of the local departments in charge, whereas the 12.5 percent belonging to the enterprises in the export trade should be subjected to the unified settlement of the enterprises engaged in foreign trading and be directly given to the enterprises supplying the commodities for the latter's autonomous use. As for the importation of the needed raw materials, technologies, equipment, and so forth entrusted to the foreign trade departments according to the requirements for the production and development of export commodities, the required foreign exchange may also be turned over to the foreign trade departments for unified arrangements in accordance with the principle of compensatory regulation. In short, it is essential that the autonmous power of use of retained foreign exchange be enlarged and the method of use of retained foreign exchange be turhther improved. State departments in charge should exercise their control by means of policies, statutes, taxation, issuance of permits, and so forth, but avoid over control or control to a strangling degree. Only by so doing can we ensure that this portion of the retained foreign exchange is truly to ensure supply sources for export commodities to develop export products, and to truly bring about implementation of the principle of combining import and export and using import to foster export.

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JINGJI GUANLI ON ECONOMIC RESULTS ANALYSIS

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[Article by Zhou Chuandian (0719 0278 0368), edited by Liu Qichang (0491 0366 2490): "On 'Economic Results Analysis'"]

[Text] 1. The Origin and Development of Economic Results Analysis

Economic results analysis is a continuation and development in the new period of "economic activities analysis" put forward by the Ministry of Metallurgical Industry. Looking at history, we see that the Anshan Iron and Steel Works was the first to develop economic activities analysis in the 1950's; this spurred some other metallurgical enterprises to obtain initial results. At the beginning of the 1960's, the Ministry of Metallurgical Industry decided to propagate the experiences of the Anshan Iron and Steel Works and other units and made "economic activities analysis" an extremely important method in leading economic work. This was developed in all metallurgical enterprises. In July 1963, leading comrades of the Ministry of Metallurgical Industry reported at a Ministry of Metallurgical Industry economic work conference that the economic activities analysis they had put forward was an important leadership method and an important work method, and that if we were to raise it to the high plane of Marxist epistemology and methodology, leaders at all levels from the ministry to the enterprise would have to study how to carry out economic activities analysis. They would have to use this as a weapon to promote the improvement of the economic results of the metallurgical industry. After Deputy Premier Bo Yibo read this conference report, he immediately wrote instructions affirming this experience. Later, the metallurgical system developed economic activities analysis more widely and more deeply. Metallurgical enterprises throughout the nation, from corporations to workshops, teams, and groups all engaged in analysis, promoting the development of the iron and steel industry at that time. In 1965 and 1966, the technological and economic targets advanced by leaps and bounds, creating the best level in history, and the economic results also saw great improvement. During the 10 years of disorder, the metallurgical industry suffered serious damage. The advocates and implementers of the "leftist" line took economic activities analysis as the "revisionist line in enterprise management" and criticized it fiercely. In the last few years, under the guidance of the correct line of the 3d Plenary Session of the 11th CPC Central Committee, we have swept away the "leftist" ideological influence and accorded with the demand to improve economic results. The fine tradition of economic activities analysis has also been gradually revived and seen new development. Because of the new path proposed by the party Central Committee and the State Council whereby economic work should have as its core the improvement of economic results and also has economic activities analysis as a sharp weapon of departments and enterprises for carrying out self-dissection, tapping potential, and improving economic results, everybody refers to it as "economic results analysis." Since the early 1980's, the iron and steel system has convened an economic results analysis meeting for medium-size iron and steel enterprises and a special steel-making enterprise economic results analysis meeting in 1983 and 1984, respectively. From the end of October to the beginning of November 1985, the Ministry of Metallurgical Industry arranged an economic results analysis meeting for large-scale iron and steel enterprises. Economic results analysis has continually developed widely and deeply, and many new trails have been blazed.

2. New Characteristics of Economic Results Analysis

1. Firmly centering on the core of improving economic results. In the past, when engaging in economic activities analysis, the taking of class struggle as the link was stressed. At all times, in all cases, and in all places, it was necessary to stress the 2-line struggle, and it was difficult to analyze economic activities purely on the basis of economic laws. Thus, its role could not be fully brought into play. Since the 3d Plenary Session of the 11th CPC Central Committee, the whole nation has taken economic construction as the center, and it has been required that all economic work switch to the track of improving economic results. Following the bringing of order out of chaos on the ideological front, economic activities analysis has now gradually accorded with this demand to improve economic results. Thus, it is not only a nominal change. Rather, new contents have been added, both internally and qualitatively, and new demands have been put forward.

2. Tightly combining with economic reform. The aim of economic results analysis is, through carrying out dissection and analysis of various types of economic activities, to bring into play positive factors, overcome backward factors, tap potential in various respects, and improve economic results. This analysis will inevitably touch on ossified economic management models that restrict the development of productive forces. This requires the changing of these models and the putting forward of reform proposals. At the economic results analysis meeting convened by the Ministry of Metallurgical Industry in 1985, the Shoudu Iron and Steel Works provided a speech entitled "The High Speed at Which Reform Spurs Economic Results." It was both a very good economic results analysis and a splendid essay on reform. In this sense, once economic results analysis is linked with reform, it can produce new vitality. On the one hand, it serves reform; on the other, it is a powerful weapon for promoting reform. Seen in terms of economic reform itself, only by using the method of economic results analysis will we be better able to reach the reform goals. In the economic activities analysis in which we engaged in the past, we did not dare touch on the question of the economic structure. Now

that the central authorities are engaging in economic reform, when we are analysing the factors obstructing the improvement of economic results and the development of the economy, we dare to touch on the question of the economic structure and require the putting forward of reform proposals.

3. Using modern management methods. Economic results analysis continues Marxist investigative research methods, stresses first-hand materials, and speaks only on the basis of data. At the same time, adopting modern management methods and electronic computers will ensure that economic results analysis is both qualitative analysis and quantitative analysis, and get close to objective reality. When carryingout analysis, some enterprises use systems engineering theory, the ideas of input and output, and mathematical statistics methods so that the analysis is more able to grasp the key points and be more persuasive. The comrades of the research institute under the Ministry of Metallurgical Industry have also used the "multi-target forward edge [qian yuan 0467 4878] analysis method" and the "multi-target comprehensive evaluation method" to carry out analysis of the production technology levels and comprehensive economic results of eight large-scale iron and steel joint enterprises. After processing large amounts of data, they established a mathematical model and used computers to carry out the calculations. The initial results provided by the two methods were basically identical. Although some target and data factors could not be completely compared, a major trend could be seen, and this can be used as reference in crosswise comparison between the various large iron and steel enterprises. It is also of benefit to enterprises in understanding their own and others' performance, so that they can develop competition through emulating, learning from, catching up with, and helping, and in turn surpassing, others.

In general, economic results analysis is the product of taking the new road of improving economic results in the new period. It is a product of adhering to the economic reforms and of management modernization. Understanding things from the high plane of Marxist epistemology and methodology and carrying out economic results analysis is the process by which to uncover, analyze, and resolve contradictions; the process by which to understand and transform the world; and the process by which to move from the material to the spiritual and the spiritual to the material. The development of objective things is a process of the movement of contradictions. Economic work is like other things and its development is full of contradictions. If we are to correctly analyze the movement of economic activities and promote economic development, we must stress the uncovering, analysis, and resolution of contradictions. Only through economic results analysis will we be able to grasp the key problems in a timely way, seek to resolve them, and continually raise economic work to a new level. That is to say, the formula "practice; analysis; decision-making; further practice" is the pattern on which a fine cycle in economic work can be realized. Thus, economic results analysis is an important leadership and work method which every enterprise leader should master in conscientiously raising his level of leadership work. It is also an important leadership and work method for economic leadership departments in overcoming bureaucratism, shifting from mainly using administrative methods to mainly using economic methods, and for making economic work increasingly specialized.

Thus, the Ministry of Metallurgical Industry has already made a decision to develop economic results analysis, and required that leaders at all levels further raise their understanding of the great importance of economic results analysis, of moving from unconsciousness to consciousness, and persisting within their own units in developing economic results analysis activities and in using this as a basic leadership method, a basic leadership system, and an important operational management system. Corporations, factories and mines, workshops, sections, and teams must all use this analysis in their development strategies, decisionmaking, and in concrete economic activities. It is possible to carry it out from top to bottom within the whole corporation at fixed periods or carry it out on a smaller scale at fixed times; the analysis can be comprehensive or specialized; it can be an individual or a comparative analysis; it can be vertical or horizontal analysis; and it can be quantitative, product type, qualitative, consumption, or cost analysis, or can be analysis in terms of capital construction, renewal and transformation, or imported projects. In general, we must center on the improvement of economic results, widely and deeply develop economic results analysis, systematize and regularize it, and have it move from shallowness to depth and from a low level to a high level. In this way, we can make economic results analysis a sharp weapon in the hands of the masses of staff and workers and can continually raise the level of enterprises' operations management and continually improve the economic results of enterprises and society.

3. How To Do Well in Economic Results Analysis

In putting together everybody's experiences in carrying out economic results analysis and doing well in economic results analysis, we must grasp the following points:

1. The leadership must pay attention to it and personally take a hand in the work. It was no accident that the Shoudu Iron and Steel Works was able to do well in economic results analysis. In July 1985, after the Ministry of Metallurgical Industry convened a preparatory meeting for the large-scale iron and steel joint enterprises' economic results analysis meeting, the enterprise leaders took command, organized a specialized group of eight or nine persons, collected large amounts of materials and data, repeatedly carried out analysis and research, listened to ideas on all sides, changed this and that, and then finally put forward a high-level report on economic results analysis. However, the leading comrades of some enterprises did not take economic results analysis as a method or measure in their own leadership of the enterprise. They did not take a hand in the work and did not provide correct guidance. They only handed it over to the comrades concerned with concrete work for them to handle. Things could not be done well in this way. This is because economic results analysis touches on broad area and has wide influence and, if the work is to be done well, it requires that the leaders personally take a hand in it and arrange for various strengths on all sides to be used

together. After economic results analysis is carried out well, goals can be put forward and measures planned. In this we must also rely on organized implementation by the leaders if we are to achieve the desired effects. Thus, leaders placing stress on and personally taking a hand is the most basic experience in doing well in economic results analysis.

2. There must be ideological leaders and correct attitudes. Economic results analysis is very meticulous and very specific investigative research and scientific analysis work. It is also work with very strong ideological and political implications. It is necessary to have ideological leaders and to link this work closely with ideological and [political] work. It is often in those units in which economic results analysis has become a mere word that ideological leadership is not stressed or else there are the ideas of being unconvinced, of being afraid to uncover contradictions, or of the "external cause theory." These sometimes seriously obstruct the further development of economic results analysis. If we do not overcome these mistaken ideas, we will not truly be able to carry out economic results analysis well. In this respect, the leading comrades in the various enterprises must have the good workstyle of listening to ideas from all sides, must have a modest attitude in studying advanced enterprises, and must have the courage to carry out self-criticism and criticism. Contradictions between things objectively exist, and only if we uncover and resolve these contradictions can our work progress. People should have self-knowledge and enterprises should also have self-knowledge. If an enterprise only sees its own strong points and does not recognize its problems or does not let other people or the masses point out its problems, the enterprises will not be able to be invigorated or be able to progress. In these 2 years, as we have organized the activities of economic results analysis, we have come across some leading comrades of enterprises who are afraid to uncover contradictions and sometimes, after the analysis materials have been produced, the leading comrades of enterprises have come out and said that they hoped that these would not be taken or made public. The comrades engaged in the analysis then feared causing bad relations and so backed down. Comrades of the enterprise itself have been even more scared, and some are blamed for leaking details of the enterprise's problems, while others have been transferred or dropped from their posts. What is the problem? The answer is that some comrades being afraid of uncovering contradictions is actually a result of them shielding shortcomings. What advantage is there in shielding shortcomings? If contradictions are not revealed and not resolved, how can there be any progress? The leading comrades of our organs and enterprises must stress the party's cause and must have a spirit of self-criticism and criticism. They must be brave in facing the problems squarely and must support the economic research workers and lower-level cadres being brave in uncovering contradictions and putting forward ideas, and being responsible to the party and to work. It should be recognized that economic results analysis is the carrying out of criticism and self-criticism in economic work. It is a strength for an enterprise in preventing economic stagnation and in promoting economic development. We must master this sharp weapon, which will allow us continually to progress.

3. We must grasp the major contradictions and key questions. If, in economic results analysis, each and every matter is noted, everything is just touched on lightly, and the tender spots are not grasped, we will not be able to resolve all the problems. All leaders must be brave in grasping key problems and in grasping the major contradictions in various complex situations. For example, at the large-scale iron and steel joint enterprises economic results analysis meeting in 1985, the comrades from Anshan Iron and Steel Works put forward that it was necessary to analyze the results of the technical transformation of the Anshan Iron and Steel Works during the period of the Sixth 5-Year Plan. This is a key qu-stion and must be grasped firmly. The Ministry of Metallurgical Industry and the comrades from Anshan Iron and Steel Works must together analyze the experiences and problems of Anshan Iron and Steel Works in improving economic results during the period of the Sixth 5-Year Plan, and study how to do things during the Seventh 5-Year Plan. This is known as facing up to hard problems, and one must have bold vision and the will to handle them. The comrades from the Tianjin Metallurgical Bureau pointed out that a key point in the technical transformation of Tianjin's iron and steel industry was the obtaining of its own supplies of pig iron. This is where the contradiction lay in Tianjin. If one is to produce steel, one must have iron. If this problem was not resolved, in future the difficulties would become greater and greater. After grasping the major contradictions, they discovered that it was an internal problem and that they had to resolve the problems connected with the growth of county-level iron plants. We must help them resolve this problem and relevant leading comrades must personally take hold of this matter. The comrades from the Wuhan Iron and Steel Works pointed out that the direction of their technical transformation is, with the precondition of raising product quality, to achieve the "double 600." The aim is correct, but as soon as the Baoshan Iron and Steel General Plant's continuous hot roller was put into production, the Wuhan Iron and Steel Work's over 1 million tons of steel blanks all went, and it was necessary to return to the 1984 level, and economic results became a problem. It has been learned that the (Bao Gang) [0545 6921], the Taiyuan Iron and Steel Company, the Panzhihua Iron and Steel Company, the Benxi Iron and Steel Company, the Ma'anshan Iron and Steel Company, and the Shanghai Iron and Steel Company have all paid attention to grasping their own major contradictions and key problems and have put forward the major problems in their own technical transformation. This is very good. At present, seen from the major contradictions and key problems in technical transformation, a common problem is that we must earnestly improve the results of investment in technical transformation. The funds for technical transformation during the Seventh 5-Year Plan are tigther than was the case during the Sixth 5-Year Plan. Thus, there is a feeling now that on the one hand funds are insufficient and on the other hand that the available funds are not being used well. Thus, all enterprises must grasp economic results analysis of the technical transformation carried out during the Sixth 5-Year Plan and from this sum up experiences and lessons, unify understanding, and do well in the technical transformation during the Seventh 5-Year Plan. If not, we will make mistakes that will affect history.

When analyzing their own major contradictions and key problems, the various enterprises must also pay attention to what the major contradictions and key problems are in the overall iron and steel industry. This will be of advantage, under the guidance of industry planning, in coordinating one's own development strategies and operational decisionmaking with that of the whole industry.

4. Economic results analysis must be systematized and regularized. The Ministry of Metallurgical Industry has already decided to develop economic results analysis in an overall way, and demanded that economic results analysis activities be regularly carried out at all levels from the ministry to the various enterprises, workshops, and groups. At the large-scale iron and steel enterprise economic results analysis meeting, the No 1 Shanghai Iron and Steel Factory introduced its experiences in yearly mobilizing the masses to "calculate detailed accounts and tap latent potential." At the beginning of each year, over about 1 month, they mobilize all the groups and teams to calculate detailed accounts of the whole factory's economic results and hand up reports on their calculations. From these, the factory formulates goals and measures for economizing, and very good results have been achieved. In the last few years, the rising prices of primary fuels, transport, and so on have affected the profits by 690 million yuan, an annual average of 125 million yuan. Through carrying out the above-mentioned activities, they have been able to readjust the product mix, develop diverse types of operations, and absorb the majority of the price changes. Profits have thus been maintained at a fairly good level.

The various enterprises must sum up their own situations and study methods by which to systematize and regularize economic results analysis. On the one hand, all factories, mines, and workshops must report at set times on their comprehensive or specialized economic results analysis. On the other hand, the corporations or factories must report at set times to the responsible department the situation of the enterprise's economic results analysis. In this way, economic results analysis will truly become a sharp weapon in the hands of the leaders and staff and workers at all levels, and this will promote the continuous improvement of enterprises' economic results.

5. Firmly grasp the measures, resolve the problems, and use analysis in improving economic results. The uncovering and analysis of contradictions are for the purpose of resolving those contradictions. It is necessary to put great efforts into analyzing the contradictions, but even greater efforts must be put into resolving the problems. Otherwise, it will result in the formalism of analysis for the sake of analysis, with the resultant waste of effort. That is to say, in the formula "practice; analysis; decisionmaking; further practice," practice has prime position and decisive importance in the resolution of problems. Analysis can point the direction of practice and thus has rational significance.

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CSO: 4006/1066

REPORTAGE ON HUNAN PEOPLE'S CONGRESS SESSION

Mao Zhiyong, Others Attend

HK250609 Changsha Hunan Provincial Service in Mandarin 0900 GMT 24 May 86

[Excerpts] The fourth session of the sixth Provincial People's Congress held a full gathering this morning. Responsible persons of departments concerned of the provincial government delivered speeches on wages, prices, and financial work. Mao Zhiyong, Xiong Qingquan, Jiao Linyi, and other responsible comrades were present.

Finance Chief Reports on Budget

HK270353 Changsha Hunan Provincial Service in Mandarin 0900 GMT 26 May 86

[Excerpts] (Xu Baoyuan), director of the provincial finance department, delivered a report to the Provincial People's Congress session on the final accounts for 1985 and the budget for 1986.

He said: The province's financial revenue last year was 3,919 million yuan, representing 120.6 percent of the budgeted figure of 3.29 billion yuan. Revenue topped 1984 by 531 million yuan, a rise of 16.6 percent.

However, there were also some problems: 1) Enterprise economic results were not good enough. The plans for lowering production costs and reducing deficits were not fulfilled. 2) The financial management standard of the fiscal and taxation departments is not high. There are still many loopholes in revenue and expenditure management. 3) Some counties and cities were unable to balance their budgets and were in deficit at yearend. We must seriously solve these problems in our future work.

He said: The province is budgeting for a revenue of 4,422 million yuan this year. After making deductions for price subsidy expenditures, this will represent an increase of 320 million yuan over 1985. We must do a good job in the following tasks:

1. Further invigorate the enterprises, promote lateral economic ties, and stimulate increased output and income. We must focus on large and medium enterprises in carrying out technological transformation. Efforts

must be made to cut production costs and to make new progress in reducing deficits and increasing surpluses.

2. Make vigorous efforts to organize revenue and ensure its steady growth. We must further step up tax collection work.

3. Strengthen and improve macroeconomic controls. We must pay attention to controlling and economizing expenditures.

4. Strengthen financial supervision and resolutely correct unhealthy trends.

(Xu Baoyuan) said in conclusion: For various reasons, the province's budget performance in January and February was not good enough. An improvement started in March, and we have now basically got onto a normal track.

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CSO: 4006/1064

DEPUTY MINISTER IN PAKISTAN--Islamabad (PAP). The Deputy Minister of Foreign Affairs, Jan Majewski, was in Pakistan where he was received by the Minister of Foreign Affairs Sahibzada Yacooba Ali Khan, the Minister of Energy and Water Resources, Jacal Sald Miana, and the Minister of Trade, Mohyuddin Baluch. He also spoke with the manager of the Ministry of Production Hasan Zaheer. Majewski held political consultations with the acting Federal secretary for Foreign Affairs Abdul Sattar. An exchange of views regarding Polish-Pakistani relations took place, especially as regards economic relations. They also discussed certain international problems, in particular the issues confronting Asia and Europe. [Text] [Warsaw TRYBUNA LUDU in Polish 18 Mar 86 p 7] /7358

SOVIET, POLISH JOURNALISTS MEET--The Journalist Cluc "Przyjazn" of the Association of Journalists of the PPR [SDPRL] hosted a meeting of Polish journalists with representatives of the Soviet press, devoted to the problems connected with the recently completed 27th CPSU Congress. Vladislav Ivanov, deputy editor -in-chief of SOVIETSKAYA ROSSIYA, shared his reflections on the Congress and Soviet policy. Sergey Dardykin, commentator for IZVESTIYA, spoke on the international significance of the Congress's discussions and resolutions. [Text] [Warsaw ZYCIE WARSZAWY in Polish 19 Mar 86 p 2] /7358

SOVIET, POLISH LAWYERS AGREEMENT--An agreement of cooperation between the Association of Soviet Lawyers and the Association of Polish Lawyers [ZDP] was signed in Moscow. The Minister of Justice of the Russian FSSR, A. Sukharev, acting president of the Association of Soviet Lawyers, signed the document, as did Z. Czeszejko-Sochacki, chairman of ZPP. [Text] [Warsaw TRYBUNA LUDU in Polish 20 Mar 86 p 7] /7358

PZPR UNIVERSITY COMMITTEES MEET--A conference of first secretaries of PZPR university committees from all institutions of higher learning was held in Warsaw on 20 March 1986. Also participating were the secretaries of the PZPR voivodship committees, who supervise party work at universities and scientific institutions. The conference dealt with the tasks assigned to the academic party organizations in implementing the resolutions of the PZPR CC 24th Plenum and those resulting from the 3d Congress of Polish Science. Professor Boguslaw Kedzia, Director of the Education and Science Department, presented the program of activities in this area, emphasizing the need for a broad participation on the part of academic centers in the pre-Congress discussions. Also mentioned during the course of the discussions was the need to publicize, on a broader scale, the achievements of the 24th plenary session of the CC within academia. Professor Tadeusz Porebski, Politburo member and PZPR CC Secretary, chaired and summarized the proceedings. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 5] /7358

ARMY PZPR CONTROL COMMISSION--The PZPR Control Commission of the Polish Army met on 20 March 1986 to discuss previous activities and suggestions for work to be done in advance of the Congress. Deputy Chairman of the Central Party Control Commission, Tadeusz Nowicki, and First Deputy for the Chief of the Main Political Directorate, Polish Army, Rear Admiral Ludwik Dutkowski, took part in the session. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 5] /7358

POLISH-MONGOLIAN CULTURAL COOPERATION--Ulan Bator (PAP). An agreement was signed on Wednesday [19 March 1986] implementing a Polish-Mongolian international agreement in cultural and scientific cooperation for the years 1986-1990. [Text] [Warsaw TRYBUNA LUDU in Polish 21 Mar 86 p 7] /7358

ZSL PROPAGANDA MEETING--Members of the presidium of Voivodship Committees and of directors of ZSL voivodship committee departments held a conference in Warsaw to discuss the party's political-propaganda efforts for 1986 resulting from, among other things, ZSL participation in pre-Congress talks. Wladyslaw Loranc, director of the PZPR CC Ideology Department, discussed the draft program of the 10th PZPR Congress. [Text] [Warsaw ZYCIE WARSZAWY in Polish 21 Mar 86 p 2] /7358

WARSAW POLYTECHNIC PARTY MEETING--A party meeting of several departments of the Warsaw Polytechnic, with the participation of a number of non-party employees, took place on 21 March 1986. The meeting dealt with the preparations to the 10th Party Congress; PRON's National Council General Secretary, Jerzy Jaskiernia, participated in the meeting. [Text] [Warsaw TRYBUNA LUDU in Polish 22-23 Mar 86 p 5] /7358

POLISH-YUGOSLAV CULTURAL COOPERATION--A cultural agreement between Poland and Yugoslavia for the years 1986-1988 was signed in Belgrade on 18 April 1986. The agreement allows for the continuation of cooperation in all facets of cultural life. It also provides the basis for establishing contacts between those institutions not previously partaking in the cooperative program. [Text] [Warasw TRYBUNA LUDU in Polish 22-23 Mar 86 p 6] /7358

CENSOR OFFICE AKTIV MEETS--Candidate member of the Politburo and PZPR CC secretary Jan Glowczyk met with senior party and staff officials of the Main Office for the Control of Publiciations and Public Performances. Also participating in the session were directors and first secretaries of primary party organizations of regional publications and performance control offices. Glowczyk discussed the current sociopolitical situation and identified the tasks issuing from it facing the press, radio and television. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

PZPR THEORETICAL ORGAN EVALUATED--PZPZ CC Secretary Henryk Debnarski chaired a meeting of the program council of the national PZPR theoretical periodical, MYSL MARKSISTOWSKA. The meeting's purpose was to evaluate the output of the periodical after its first year and to determine the tasks for the current year. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

PUSHKIN INSTITUTE IN WARSAW--A. Pushkin Institute for the Russian Language was established in Moscow for the express aim of increasing the level of familiarity with the Russian language throughout the world. One of the Institute's outposts abroad is the Warsaw branch of the Moscow Institute. The 10-year anniversary of the founding of this academic center was recently celebrated. In addition to representatives of Polish academia, guests from the Soviet Union also took part in the celebrations. [Text] [Warsaw ZYCIE WARSZAWY in Polish 22-23 Mar 86 p 2] /7358

KRAKOW PARTY AKTIV MEETS--In the Party draft program one finds many goals but too few instructions on how to reach these goals--such was the opinion stated at a meeting of party aktivs of the Krakow city voivodship on 22 March 1986 with Marian Orzechowski in attendance. During the course of the debate on the draft party program it is being pointed out that even if, having learned a lesson from the sad experiences of the past we are now drafting more cautious programs, we still can not afford to deal exclusively in "step-by-step" policies. Referring to the questions raised during the meeting, M. Orzechowski recalled that even though after 31 December 1981, propositions were made--within the very bosom of the party--to depart from the resolutions of the 9th Party Congress, this was not done. Today we go forth to the 10th Party Congress seeking answers to two fundamental questions: how were the resolutions of the extraordinary congress implemented? And how does one construct a forward-looking program for the nation reaching into the 21st century, based on the spirit of those resolutions and on the experiences of the last 40 years? [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 2] /3758

BUSINESS DIRECTORS SEMINAR--One in a series of seminars for the leading aktivs of those business enterprises which continue to be a focal point of interest to the PZPR CC was held on 21-22 March 1986. They discussed the conditions of creating and instituting a strategic policy for the enterprises and also the problems of cooperation between the director, the self-management organs, party and trade union organizations. M. Wozniak, Politburo member and CC secretary, met with the participants, during which time he presented the crucial issues relating to Poland's development in the context of the preparations for the 10th Party Congress. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 2]

RADIO, TV COMMITTEE MEETING--Party aktivs and management personnel met in conference on 22 March 1986 in the Committee for Radio and Television Affairs to discuss the tasks of radio and television in the pre-Congress campaign period. Edward Kwasizur, First Secretary of the PZPR CC, chaired the proceedings, and Jan Glowczyk, candidate Politburo member and secretary of the CC, summed up the session. In addition, Bogdan Jachacz, director of the CC Propaganda Department, and Miroslaw Wojciechowski, Chairman of the Committee for Radio and Television Affairs, took part in the meeting. [Text] [Warsaw TRBYUNA LUDU in Polish 24 Mar 86 p 2] /7358

EDITORS OF PARTY DAILIES MEET--(Staff report) On the initiative of TRYBUNA LUDU, another in a series of meetings of the editors-in-chief of the PZPR dailies took place in Kazimierz. This time the meeting dealt with the tasks facing the party press in the period prior to the 10th Party Congress. The meeting was hosted by the editors of SZTANDAR LUDU. During the discussion, references were made to the resolutions of the 27th CPSU Congress, the deliberations of which were described by Jerzy Majka, editor-in-chief of TRBYUNA LUDU. The need for a greater aggressiveness on the part of the press was emphasized, as well as a closer connection between the topics explored in the newspapers and the problems which the working class and all of society face on a regular basis. Representatives of the Propaganda Department of the PZPR CC along with Department director Bogdan Jachacz took part in the proceedings, Andrzej Szpringer, First Secretary of the PZPR Voivodship Committee in Lublin and the vicepresident of the "Prasa-Ksiazka-Ruch" Worker's Cooperative Publishing House, Alina Tepli, also took part. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 5]

YOUTH MEETING ON PROGRAM DRAFT--The party draft program was the subject of a two-day conference of the National Council of Young Science Workers of the Association of Polish Students [ZSP], which ended on 23 March 1986 in Rynia near Warsaw. Discussion centered on issues in the draft program relating to problems of special concern to academic centers that have an impact on the future of higher education and the role of science and learning in the life of the nation. [Text] [Warsaw TRYBUNA LUDU in Polish 24 Mar 86 p 5] /7358

POPULARIZATION OF KNOWLEDGE MEETING--A two-day national seminar organized by the Main Administration of the Society for the Popularization of Knowledge [TWP] opened in Lodz. The main theme of the seminar was the consolidation of socialism as the direction of Poland's development. Secretaries of the voivodship administrations and TWP lecturers and activists from throughout Poland took part in the discussions, which examined TWP activities prior to the 10th PZPR Congress. In connection with this year's celebration of the International Year of Peace, TWP is organizing, with the cooperation of the Main Administration of the Society for Soviet-Polish Friendship, a seminar with Polish and Soviet lecturers dealing with the problems of the peace initiatives of socialist countries, to be held in April [1986]. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15-16 Mar 86 p 2] /7358

MICROCOMPUTER CLUBS SEEK EXPANSION--A national meeting of Scout Union computer clubs and of those persons supervising the activities of these clubs was held in Warsaw. Over 100 representatives of micro-computer clubs functioning under the patronage of the Polish Scout Union [ZHP] throughout Poland discussed such issues as the clubs' potential and development program, the chances of acquiring computer parts and programming, and the clubs' personal and housing conditions. A representative from the Office for Youth Affairs of the Council of Ministers was on hand to present a plan for the development of microcomputerization among youth and the means of subsidizing the activities of the microcomputer clubs. [Text] [Warsaw ZYCIE WARSZAWY in Polish 15-16 Mar 86 p 2] /7358

STUDENT ASSOCIATION PLENUM--The tasks of University Councils in the organization of student life was the topic of a plenum of University Councils of the Polish University Students Association [ZSP] held on 15 March 1986. The resolutions issued at the plenum set forth the tasks of the ZHP in awakening a spirit of social organizational, and political activism. They also accepted the organizational foundations for this year's summer campaign among college students, which will be used to publicize the results of the 10th Party Congress, further broaden the involvement of the academic community in the life of the local regions and cities, and to undertake initiatives serving peaceful world development. [Text] [Warsaw TRYBUNA LUDU in Polish 17 Mar 86 p 5] /7358

ARMY LAUDS PATRIOTIC SOCIETY--[Staff Report] Gen Div Dr Tadeusz Szacilo, Chief of the Main Political Administration of the Polish Armed Forces, met with Edmund Meclewski, chairman of the "Wisla-Odra" [Vistula-Oder] Association and deputy in the Polish Sejm. E. Meclewski gave the chief of the Main Political Administration a briefing on the association's accomplishments and its plans for the near future. During the course of the meeting they discussed issues related to patriotic and civic education programs for the general public and the process of instilling the public, especially the younger generation, with an awareness of its historic and national identity. Gen Div Dr T. Szacilo expressed his high regard for the work and initiatives of the "Wisla-Odra" Association. He emphasized the important role it plays in the patriotic education of our countrymen, in cultivating the traditions of the struggle to preserve the Polish character of the western territories and to restore those lands to the Motherland, and also in efforts aimed at consolidating the western frontiers of the Republic and the inviolability of the Piast Dynasty [medieval] frontiers along the Oder and Neisse rivers. [Text] [Warsaw ZOLNIERZ WOLNOSCI in Polish 16 May 86 p 1] /12858

CSO: 2600/432

COUNCIL OF MINISTERS' TASKS TO ENSURE PLAN FULFILLMENT

Bucharest BULETINUL OFICIAL in Romanian Part I No 17, 4 Apr 86 pp 1,2

[Grand National Assembly Resolution No 1 on Council of Ministers Report Concerning Fulfillment of the Unified National Plan of Social and Economic Development of the Country in the First Quarter of 1986 and Measures to Ensure Full Implementation of the Provisions of the Plan for 1986]

[Text] The Grand National Assembly, having discussed the Council of Ministers Report concerning fulfilment of the Unified National Plan for Social and Economic Development in the first quarter of 1986 and the measures established to ensure full implementation of the provisions of the plan for 1986, finds that all economic and social activities have been conducted in the first quarter in the directions ensuring steadfast implementation during the first year of the 8th five-year plan of the historical resolutions of the 23th Congress of the Romanian Communist Party and execution of the party's program for creating a comprehensively developed socialist society and Romania's entry into a higher stage of development.

The Grand National Assembly expresses its high appreciation for the decisive contribution made by the secretary general of the party, the president of the Socialist Republic of Romania, Comrade Nicolae Ceausescu, to establishment and implementation of the entire policy of our party and state, to conduct of all activities on a thoroughly scientific and realistic basis, and to establishment of the most appropriate measures ensuring broad mobilization of the creative forces and energies of the people for the building of socialism and communism on Romanian soil.

Having considered the results achieved thus far in the economy and the measures established for full implementation of the provisions of the plan for 1986, the Grand National Assembly of the Socialist Republic of Romania hereby resolves the following:

1. The Assembly approves the Report of the Council of Ministers concerning fulfillment of the unified national plan of social and economic development of the country in the first quarter of 1986 and the measures established for full implementation of the provisions of the plan for 1986.

2. It requests the Council of Ministers to take action with the highest resolve to see that the ministries, other central and local authorities, and all economic units fully implement the measures established for the following purposes.

(a) exemplary fulfillment of the unified national plan of economic and social development and the special programs adopted for individual sectors and spheres of activity;

(b) regularity in manufacture of products, in terms of physical output and planned structure, improvement in the technical features and quality of products, and better utilization of raw and intermediate materials, fuels, and energy;

(c) manufacture of the full amount of products intended for export, in accordance with the quality requirements and delivery schedules specified in contracts.

Measures must be taken to make up the arrears in exports, with efforts applied to ensure regularity in manufacture of articles intended for export.

To ensure regularity in manufacture of goods for export, the Council of Ministers will take steps to make certain that the Ministry of Equipment and Materials Supply and Control of Fixed Asset Management will, together with the State Planning Committee, provide enterprises with raw and intermediate materials intended expressly for use in production for export which can be used only in production for export.

The ministries, centrals, and enterprises have the obligation of assigning priority to production and supply of materials required in production for export.

The use of raw and other materials intended for export for other purposes is to be considered a serious violation of the unified national plan and is to entail the imposition of penalties in accordance with the laws of the country.

(d) The creation of conditions for implementation of the investment program, commissioning of facilities, and achievement of the design parameters within the periods set, as well as for full utilization of existing production facilities and production areas.

(e) Improvement in the activities of organization of production and labor, modernization of manufacturing technologies and dissemination of technical progress, application of the flat rate and piecework systems and greater increase in labor productivity in all sectors of activity on this basis, reduction of the consumption of energy and materials, improvement in the coefficient of utilization of material resources, and reinforcement of order and discipline in all units.

(f) Full achievement of the planned targets connected with farm crop and livestock production, maximum efficiency in use of all land resources and equipment supplied; full implementation of the program of irrigation and other land reclamation projects; dissemination of advanced technologies of cultivation, harvesting, and livestock raising; promptness and high quality of execution of farming; and the greatest possible efficiency in provision and management of fodder resources.

(g) The Council of Ministers will take steps to liquidate surplus inventory and will report on the inventory situation to the Grand National Assembly at the next session of the Assembly.

(h) Steadfast application of the principles of worker self-management and autonomous economic and financial administration, to ensure full payment of expenses in every unit out of retained earnings, lowering of production costs and increase in profitability, increase in the value of output relative to the fixed assets used, adherence to the approved consumption standards, conduct of rigorous bank and financial auditing, institution of a strict system of conservation, and efficient management of national resources.

The Grand National Assembly finds that all the necessary conditions have been created for full implementation of the plan of economic and social development for 1986 and calls upon all workers to act with revolutionary resolve and selflessness to ensure better utilization of the entire material and human potential available to our society, so as to step up the pace of intensive and steady development of industry, agriculture, and the entire national economy, this forming a sure basis for ongoing elevation of the material and spiritual standard of living of our entire people, such elevation being the supreme goal of the policy of the Romanian Communist Party.

This resolution was adopted by the Grand National Assembly at its session of 3 April 1986.

Nicolae Giosan
President of the
Grand National Assembly

Bucharest, 3 April 1986
No 1

6115
CSO: 2700/145

ACTIVITY, WORKS OF HISTORIANS IN 1985 VIEWED

Bucharest AMFITEATRU in Romanian Feb 86 p 8

[Article by Ion Calafeteanu: "The 1985 Cultural Year--Valuable Scientific Investigations in the Field of History"]

[Text] If one year is too short a period of time to draw any general conclusions concerning the development of Romanian history sciences, to formulate over-all characteristics concerning the methodology of inquiry, and, eventually, discern future lines of evolution, nevertheless this represents a period of time which allows certain findings and observations and, of course, the sketching of a balance sheet, all of which can constitute component elements of a comprehensive opinion over a longer period of time.

We begin our succinct annual retrospective review by underlining the variety of the themes to be treated, whose simple enumeration would have been absolutely sufficient to convey to us the size and extent of the process of inquiry into the past which Romanian historians have been and still are engaged in. It would be impossible for us to do that here. That is why we will be satisfied to show only that, for all practical purposes, all historical epochs which the development of human society has known, from the age of primitive communes to the age of the building of socialism, have been made the object of scientific investigation during the past year.

The subjects treated--and this is a constant in contemporary Romanian history sciences--were analyzed from the standpoint of historical materialism, which has allowed Romanian historians to accomplish some valuable scientific investigations, pointing out the profound causes of events and social phenomena investigated, depicting facts in an objective manner, fully in accord with historical reality.

The results obtained--some of them scientifically remarkable--could be published in the pages of specialized journals (among which we note ANALE DE ISTORIE, REVISTA DE ISTORIE, REVISTA ARCHIVELOR, MAGAZIN ISTORIC, LUPTA INTREGULUI POPOR, the annual publications of history institutes of Iasi and Cluj-Napoca and also the publications of the county history museums as well as other cultural publications) and also discussed during scientific reports sessions.

And, of course, through books. A look at the publishing year 1985 in the field of history allows us, in the first place, to emphasize the continuation of a collection of sources well-known to the specialists (we have in mind the series "Documenta Romaniae Historica"), the initiation of other ("Romania's Image Through Travelers,") the appearance of works concerning the beginning period of Romanian feudalism (Victor Spinei, "Ethnic and Political Realities in Southern Moldavia During the 10th-13th Centuries, Romanians and Turanians"; Sergiu Iosipescu, "Balita, Dobrotita, Ivancu") collections of studies titled "Romanian Medieval and Modern Civilization" (prepared by Nicolae Elian, Aurel Radutiu and Pompiliu Teodor) and "Romanian National Unity in the Modern Epoch, 1821-1918" (authors: Nichita Adaniloaie, Anastasie Iordache, Paul Oprescu,) George Potra's monographs on "The History of the Inns of Bucharest" and Dumitru Martinas on "The Origin of the Ceangai, the Hungarian-Speaking Population in Moldavia." Two works of historiography--both by Iasi historians and published in the collection "Biblioteca Historica" of the Academy's Publishing House--complete this scenario of concerns: V. Cristian, "The Contribution of Historiography to the Ideological Preparation for the Romanian Revolution of 1848" and Al. Zub, "From Critical History to Criticism, Romanian Historiography at the End of the 19th and the Beginning of the 20th Centuries." Alexandru Zub is also the editor of the Fourth Edition of "The History of the Romanians," by A.D. Xenopol, initiated by the Scientific and Encyclopedic Publishing House (of which the first volume appeared last year; text, notes, commentary and indexes by V. Mihailescu-Birliba) which, in its relationship and significance, goes beyond the strict bounds of history, becoming a true act of national culture.

Looked at through the prism of publications, the year 1985 makes itself felt, however, as a year dominated by works dedicated to the period after 1918 and, especially, to the years of the Second World War and the period immediately following. We illustrate, in this sense, with works authored by Gheorghe Iancu, "The Contribution of the Leadership Council Towards the Consolidation of the United Romanian National State, 1918-1920"; Olimpiu Matichescu, "History Does not Step Backward"; Marin Badea, "Under the Open Sky of the Month of May"; Liviu Dandara, "Romania in the Whirlpool of the Year 1939"; V. Malinschi, Economics, Law, Diplomacy According to Nicolae Titulescu"; Ioan Talpos, Mihai Retegan, Dan Radulescu, "The Defense of the Nation, The Principal Objective of the Romanian Antifascist Movement, 1933-1939"; Gheorghe Zaharia, Ion Cupsa, "Romania's Participation in the Defeat of Nazi Germany"; the volume "The National Antifascist Committee," (prepared by a group of historians from the Institute of Historical and Sociopolitical Studies of the Central Committee of the Romanian Communist Party); Volumes 3 and 4 from the collection of documents "23 August 1944, Documents. 1944-1947" (coordinators: Ion Ardeleanu, Vasile Arimia, Mircea Musat,) and also the work "The Horthyist-Fascist Terror in Northwestern Romania, September 1940-October 1944" (coordinators: Mihai Fatu and Mircea Musat).

We will close this succinct retrospective review with two points. The first refers to the affirmation on an international level of Romanian history sciences as a consequence of the publication of certain works in internationally known languages, of the activity of the publication REVUE ROUMAINE D'HISTOIRE, of requests for works and articles made to Romanian historians by foreign publishing houses and editorial boards (thus, nr 4/1985 of the prestigious REVUE D'HISTOIRE DE LA DEUXIEME GUERRE MONDIAL ET DES CONFLITS CONTEMPORAINES" published four articles signed by Romanian historians) also as a consequence of the participation of our country's historians in numerous scientific conventions abroad. We recall in this connection, that in 1985 the 16th International History Congress took place in Stuttgart, at which the delegation of Romanian historians made a valuable and prestigious scientific contribution.

The second point we wanted to make refers to a more energetic involvement during this past year by Romanian researchers in the field of history in combatting reactionary, antiscientific theories and certain chauvinistic tendencies which still manifest themselves on the international scene. There still exist today, unfortunately, historians who are apologists for territorial conquests, for the subjugation of other peoples, who are nostalgic about multinational empires of old which have been definitively condemned by the implacable laws of historical development, who deny the objective and just character of the formation of nation-states, who dispute borders currently existing in the world, encouraging--openly or covertly--revisionism and revanchism.

Combatting these destructive theories for the sake of promoting historical truth, of respect for the history of every people and of a clear understanding of the commandments of the current era represents the contribution of Romanian historians to the cause of peace, friendship and collaboration among all peoples of the world.

/13045
CSO: 2700/174

BRIEFS

PEOPLES COUNCIL APPOINTMENT--On the basis of Article 97 of Law No 57/1968 on the organization and operation of the peoples councils, the President of the Socialist Republic of Romania decrees that Comrade Ion Licu is delegated to fill the position of deputy chairman of the executive committee of the Calarasi County Peoples Council. [Excerpts] [Bucharest BULETINUL OFICIAL in Romanian Part I No 24, 19 Apr 86 p 2] /12858

PRESIDENTIAL APPOINTMENT--The President of the Socialist Republic of Romania decrees that Comrade Aurelian Gubandru is appointed to the position of vice-chairman of the Bank for Agriculture and the Food Industry. [Excerpts] [Bucharest BULETINUL OFICIAL in Romanian Part I No 24, 19 Apr 86 p 2] /12858

CSO: 2600/165

GRLICKOV DIFFERS WITH SAWPY COLLEAGUES ON 'CRITICAL ANALYSIS'

Belgrade BORBA in Serbo-Croatian 17-18 May 86 p 8

[Excerpt] In waging the public discussion on the Critical Analysis of the Functioning of the Political System, members of the Presidium of the SAWPY (Socialist Alliance of Working People of Yugoslavia) Federal Conference have not been in agreement on all assessments. If most of the 10 participants in the [Presidium] discussion stressed that in the public discussion quite a few constructive suggestions were heard..., there were some differences in the assessment, for instance, as to whether the Critical Analysis is "in conflict" with the economic stabilization program.

Jovan Dejanovic, president of the [SAWPY] section for development of the political system, said that "the opinion prevails that there are no essential differences between the Critical Analysis and the economic stabilization program, that the goals are the same, and that certain formulations which are in dispute can be brought into accord with further discussion and action." Dr Aleksandar Grlickov, president of the Federal Conference, was of a somewhat different opinion, since he said that there are 27 differences between these two documents [the Critical Analysis and the Long-Term Program of Economic Stabilization (DPES)], of which "some are imprecise formulations" while others reflect "somewhat basic differences." He added that in seven cases they [the formulations] are not "even connected with the Constitution."

Although members of the Presidium mostly dealt directly with the report drawn up on the basis of republic and provincial reports, as well as [the report of the] SAWPY work program in realizing the most important commitments from the Critical Analysis, some, like Marijan Kotar from Slovenia, advocated a clarification of "open questions." Kotar even said that agreement should be reached in the Federal Conference on the questions of consensus, on the above-mentioned differences between the Critical Analysis and the DPES, on the authority of the federation, the polemic surrounding [the question of whether there should be a federal] chamber of associated labor, and relations within the Socialist Republic of Serbia.

Aleksandar Grlickov offered a more realistic approach, foreseeing that there will be considerable discussion yet on these problems but that, one by one, they must be eliminated from the agenda if our political life is not to be burdened and all channels not fully blocked in the functioning of the political system.

Grlickov also said that discussions on the political system will inevitably continue in all bodies which have been working on constitutional and legislative changes, because there are no "finished solutions." As characteristic of our a-priori divisions he mentioned the discussions on the chamber of associated labor and on the question of consensus, displaying a wide dialectical approach to these questions in which consideration is given to the nationality and class components of Yugoslav society but also to the requirements of the modern world to which the "technology of decision-making" must adapt also.

Advocating more rapid enactment of concrete solutions, reminding participants in the debate that any amendment to the present Constitution requires 1 year [to enact], Grlickov said that the task of the Socialist Alliance is to change the "atmosphere of great expectations" to an "atmosphere of at least small changes" because after victories in small battles, wars are won, but [they are] not [won] in great expectations.

At this meeting the Presidium supported the proposal to elect Nenad Bucin as president of the Federal Conference of SAWPY for 1 year.

/12766
CSO: 2800/263

STUDENT PAPER RIDICULES KOSOVO OFFICIAL

[Editorial Report] Belgrade STUDENT in Serbo-Croation on 2 April 1986, page 3, carries a attack on a Kosovo official. The Belgrade University student weekly's customary unsigned chatter column opens with an alleged contemporary [the writer uses both Zagreb and Belgrade versions of the word] fairy tale: "Once upon a time there was a family of Albanians, some of whom worked abroad (what they did and how they left are irrelevant to the fairy tale). The family lived modestly, saved, deprived themselves and others, and with hard work over the years accumulated a certain amount of money, partly dinars and partly hard currency. This money the hard-working and honest Albanian family spent on a useful purpose, namely buying up property from their neighbors (who were in a hurry to catch a northbound train) for the modest price of 5 or 6 million dinars. To cut the fairy tale short, the aforementioned family lived happily forever after on that property." The columnist mockingly ascribes the fairy tale to Rahman Morina, Kosovo province secretary for internal affairs. In conclusion: "Every fairy tale is beautiful until it turns bloody."

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CSO: 2800/255

BRIEFS

DRAGOSAVAC INJURED--Last evening about 8 p.m. an auto accident occurred on the Zagreb-Rijeka road near Delnice in which Dr Dusan Dragosavac member of the LCY CC Presidium, was injured. After first aid treatment at the hospital in Rijeka, he was transferred today [13 May] to the military medical hospital. Prof Dr Zivka Jovanovic, head of the trauma section there, said Dragosavac had suffered a broken leg but his general condition is good. [Excerpt] [Belgrade BORBA in Serbo-Croatian 14 May 86 p 12]/12766

CSO: 2800/263

END

In case of a person stealing or robbing mining products or other property of a mining enterprise or prospecting unit, in case of a person destroying mining or prospecting installations, in case of a person disrupting the production or work order in the mining or prospecting area, the judicial authorities shall consider criminal prosecution according to law. If the circumstances of the case are obviously not serious, a penalty may be imposed according to the Security Administration Punishment Act.

The said law, furthermore, establishes legal responsibilities in such separate cases as when a person exceeds his mining area, trades, rents or otherwise disposes of mineral resources, when a person trades, rents or mortgages his mining right, or in violation of regulations purchases or sells mining products for which the state has decreed centralized procurement, or when a person employs methods of a destructive nature in mining, leading to serious damage being suffered by the mineral resources.

9808
CSO: 4006/891

INDUSTRY

DEVELOPMENT OF CIVIL AIRCRAFT GIVEN PRIORITY

Beijing ZHONGGUO JIXIE BAO in Chinese 20 Mar 86 p 1

[Article by Ge Yunchi [5514 6663 3069]: "Civil Aircraft Development A Priority During the Seventh 5-Year Plan"]

[Text] In accordance with the correct policy laid down by the CPC Central Committee, namely that domestic civil aviation in the future shall use Chinese-manufactured aircraft exclusively, the Ministry of Aeronautics will make the development of civil aircraft its top priority during the Seventh 5-Year Plan. In quantity, performance and quality, the production of civil aircraft in the next 5 years will surpass the entire 36 years following the establishment of the PRC.

Since the People's Republic was founded, China's aviation industry has seen uninterrupted growth and development. Today it is a powerful industry employing hundreds of thousands of workers and comprising hundreds of enterprises and scientific research units. Thus far it has manufactured close to 10,000 airplanes of all types, a vital contribution to the defense and development of the socialist motherland.

Since a strong defense is basic to the development of the motherland, the country's aviation industry has consistently considered the production of military aircraft its No 1 mission and limited its civil products to the occasional spinoffs from the R & D of military planes. Be that as it may, the industry has managed to turn out six or seven types of civil aircraft of various models, beginning with the birth of Transport 5 in October 1957, and has already developed the capacity to produce some of these planes in batches. They have proved highly useful in domestic transportation, disaster relief, geological survey, agriculture and forestry.

At present China's civil aircraft industry is concentrating on medium and small airplanes. Among planes being built through the batch process and sold commercially are Transport 5, 7, 8, 11 and 12; Helicopter 9; and three ultra-light planes, Bee 3, and Dragonfly 5 and 6. Characteristic of all the planes are their safety, reliability, lightness, versatility and economic efficiency. So far over 300 Transport 5's have been built, for extensive use domestically and for export to five nations, including Pakistan and Korea. As a special agricultural plane, Transport 11 is highly popular with major farms and forestry centers around the nation; 30 such planes are now in service. Transport 7 is the first medium or short-range feeder transport plane made by China. Its improved version, Transport 7-100, is a passenger plane that has caught the attention of foreign businessmen with its electronic navigation and cabin environment matching standards of the 1980's. Modelled on Transport 11, Transport 12 is a multipurpose civil airplane designed in accordance with relevant standards in US federal aviation regulations; it has obtained a model qualifying certificate from the Civil Aviation General Administration and is a prime candidate to pry open the international market. With a carrying capacity of 20 tons, Transport 8 is one of the only two medium-sized transport planes in the world today. A machine of great potential, it has flown over every province, municipality and autonomous region in the nation, except Taiwan, and made 23 trips to Xizang in the 10 years since it was first built. Helicopter 9, manufactured by China using patented technology imported from Yuhang Company of France, is a lightweight helicopter and also the first Chinese helicopter to obtain a foreign airworthiness certificate. The country's ultra-light planes--Bee 3, Dragonfly 5 and 6--are attracting more and more attention because of their safety, reliability, practicality and inexpensiveness.

To achieve the great objective of using only Chinese aircraft for domestic civil aviation as soon as possible, the State Council has decided to "allocate special R & D funds for civil aircraft, make such appropriations a separate budgetary item and incorporate them in the national plan." It has also defined its policies in the Seventh 5-Year Plan as follows: "Concentrate resources on the development of new feeder aircraft and special agricultural and forestry planes and make the utmost use of imported engines, electronic parts and other components in the domestic manufacture of aircraft in order to improve our models to meet the needs of modern civil aviation." This is a sign that the heyday of healthy growth for China's civil aviation industry has arrived.

12581
CSO: 4006/1030

INDUSTRY

RAW MATERIALS INDUSTRY DEVELOPS RAPIDLY IN ANHUI

Hefei ANHUI RIBAO in Chinese 9 Apr 86 p 1

[Article by Chen Baoshan [7115 1405 0810]: "Raw Materials Industry Makes Rapid Progress in Anhui"]

[Text] How to accelerate the development of the raw materials industry? A constructive approach by Anhui is to cooperate with neighboring provinces and municipalities also lacking in raw materials, share the fruits of joint development and make use of one's own strengths.

With its longstanding reputation as "the land of energy and raw materials in east China," Anhui abounds in such resources as coal, iron, copper, sulfur and limestone. Transportation in the province is also convenient. In the past, the government invested heavily in a number of key enterprises, boosting economic development in east China tremendously. However, limited funding has prevented the exploitation of vast quantities of resources. The output of the raw materials industry, in particular, falls far short of the needs of the situation.

The appearance of horizontal economic and technical cooperation has broadened people's vision and opened up a new way to quicken the pace of raw materials production. The local government wanted to put up a 300-cubic meter blast furnace at Wuhan Steelworks which has adequate resources and is accessible, but lacked the necessary funds. In the first half of 1985, Anhui cooperated with Shanghai's Metallurgy Bureau and relevant agencies in Jiangsu Province, shortly raising over 50 million yuan. Construction on the project began in the second half of 1985, with production scheduled for this year or early next year. Taking a similar tack to fund-raising, the building-materials, chemical and other industries in Anhui have also built or modernized a number of cement plants and marble works, thereby easing the shortage of building materials and chemical raw materials.

To promote cooperation and attract capital, the provincial government has drawn up preferential policies specifically for projects funded by a pooling of capital. Under past regulations, only after a project went into production were materials shared. Now Anhui is willing to supply the other party with materials when it has a dire need. In tax, industrial and commercial administration and transportation, too, the government tries to be as accommodating as possible. There is a huge limestone mine with 800 million tons of reserves at Sanxingshan in Tongling Shi. Last year, Anhui reached a trilateral agreement with Shanghai and the State Building Materials Bureau under which they would jointly invest in a large cement plant with an annual output of 1.5 million tons to be divided among the three partners. This project has won the support of the State Planning Commission and construction is to begin soon, with completion scheduled for 1990.

The joint development of the raw materials industry solves the problem of lack of funds as well as speeds up its pace. According to people in charge of the provincial Office of Cooperation, there have been over 50 large-scale cooperative projects, representing an infusion of capital exceeding 250 million yuan, in the raw materials industry between Anhui and its neighboring provinces and municipalities as well as relevant agencies in the central government in the little more than 3 years since 1983. Upon completion, the projects will produce 2.3 million tons of cement, 400,000 tons of pig iron and 600,000 tons of ferrous sulfate.

12581
CSO: 4006/1014

INDUSTRY

SATISFACTORY INDUSTRIAL GROWTH IN ANHUI IN FIRST QUARTER

Hefei ANHUI RIBAO in Chinese 9 Apr 86 p 1

[Text] With the vigor of a tiger, Anhui has been persisting in economic reform and forging horizontal economic cooperation in this Year of the Tiger. As a result, industrial production in the very first year of the Seventh 5-Year Plan has gotten off to a good start; according to the Anhui Statistical Bureau, gross industrial output value in the first quarter of 1986 went up 8 percent over the same period last year.

As we enter the first year of the Seventh 5-Year Plan, factories, mines and other enterprises in the province have further improved all kinds of economic responsibility systems and stepped up output in such heavy industries as iron, steel, coal and electricity generation. During the first quarter, key heavy industrial products, including pig iron, steel, rolled steel, soda, caustic soda, raw coal, electricity and cement all fulfilled plan quotas and registered substantial gains over the corresponding period in 1984. The growth rates for steel, rolled steel, raw coal, electricity generation and cement were 6.1, 4.2, 0.5, 9.8 and 32.2 percent respectively.

In accordance with the demands of the Seventh 5-Year Plan, the province has vigorously pursued all manner of cooperation and expanded the production of light industrial consumer goods. Hence the 13.5 percent increase in gross output value in light industry compared to the first quarter in 1984. Economic efficiency too has gone up. The production of domestic refrigerators, beer, watches, machine-made paper and cardboard has doubled in volume. The total value of textile exports has risen by more than 50 percent.

12581
CSO: 4006/1014

OPEN DOOR POLICY BOOSTS GUANGDONG TEXTILE INDUSTRY

Guangzhou KAIFANG [OPEN POLICY] in Chinese No 3, 8 Mar 86 pp 22-24

[Article by Li Chi [2621 3589]: "Guangdong Textile Industry Making Rapid Progress"]

[Text] The textile industry is one of Guangdong's oldest industries. For years, however, the province has been conditioned by "leftist" ideas and outdated thinking into believing that since it does not produce cotton and is a coastal province with frontier defense responsibilities, it is not suited to develop a textile industry in any serious way. Up to the 3d Plenum of the 11th CPC Central Committee, therefore, textile industry in the province had made little progress, what with its obsolete equipment and technology and unsound industrial structure: Spinning accounted for a larger share of the industry than weaving, which, in turn, was more important than dyeing. Outdated equipment was commonplace, technology was lacking, the managerial standard was low and the products uncompetitive.

After the 3d Plenum of the 11th CPC Central Committee, Guangdong welcomed the arrival of spring in its textile industry. Leaders at all levels--provincial, municipal, prefectural and county--consider the development of the industry a priority and make use of the open door policy, the province's proximity to Hong Kong and Macao and its large number of overseas Chinese to raise capital through a variety of channels: compensation trade, the three forms of import processing, joint ventures, bank loans and local fund-raising. Advanced equipment and technology was introduced at various levels, through various channels and in various ways, resulting in an embryonic but relatively comprehensive textile industry. Statistics show that since 1979, 82 local enterprises throughout the province have successively spent $317 million in foreign exchange importing a total of 6,622 plants or single pieces of key machinery. In 1984 and 85 alone, technical modernization, infrastructural development, joint ventures, the three forms of import processing and compensation trade accounted for 623 million yuan of budgetary allocations. At present the imported technology is being put into production one after another and has been instrumental in accelerating the development of the province's textile industry, increasing variety, color and design, enhancing the competitiveness of its products and stepping up exports. The industry's gross output value reached 3.406 billion yuan in 1985, 497 million more than the 1984 figure of 2.549 billion yuan, an increase of 19.49 percent, the highest in the industry nationwide. The province's textile industry fulfilled the target in the Sixth 5-Year Plan 14 months ahead of time and doubled its output value 61 months earlier than planned. In gross industrial output value, it ranked 10th nationwide, up from 13th. State-owned textile enterprises netted 222 million yuan in profits in 1985, 45.99 percent more than in 1984. Their taxes and profit taxes amounted to 138 million yuan and 207 million yuan respectively, representing gains of 23.65 percent and 17.48 percent over 1984. For the second year in a row, output value, taxes and profit taxes all went up simultaneously.

Premier Zhao Ziyang has pointed out, "In importing technology, we must set our sights at the highest level in the world and should not repeat what others have done. Moreover, we must coordinate the import of key equipment. The modernization of technology must go hand in hand with that of equipment." We must decide the focus of our import policy based on the spirit of the premier's instructions. As far as guiding ideas are concerned, we have gone out of our way to achieve the "four combinations," ie., combining the import of advanced technology and equipment with the technical modernization of old enterprises, with the effort to lay the groundwork for overtaking the world's advanced nations, with the export drive, and with new product development. Specifically, we have "come to grips with the two ends, led the middle, and emphasized one aspect." In other words, we have expanded our cotton spinning capacity, developed the chemical fiber raw materials industry to provide raw materials for knitting and weaving enterprises, and upgraded printing and dyeing facilities to adjust the imbalance between weaving and subsequent treatment. Before 1979, we met 60.08 percent of the province's cotton yarn requirements. Now we produce enough cotton yarn to satisfy the needs of the weaving, knitting and reproduction industries, with a little surplus for export. A good deal of efforts has also been made to develop the chemical fiber raw materials industry: a host of mainstay enterprises have been built in recent years, including the Xinhui Polyester Fiber Plant, the Foshan Chemical Fiber Plant and the Guangzhou Synthetic Fiber Plant, and existing chemical fiber enterprises have been expanded, so that there has now emerged a fledgling production system for six major categories of chemical fiber raw materials--polyester staple fiber, polyester fiber filament, polypropylene fiber filament, viscose fiber, fiber, and polyamide fiber. In 1985, the output of chemical fiber raw materials reached 31,065 tons, a 5.15-fold increase over the 1978 figure of 5,054 tons. During the same period, annual printing and dyeing capacity expanded 4.04-fold from 37.73 million meters to 190 million meters. Before 1979 cotton cloth printing was nonexistent; today its annual output stands at 2,500 meters.

Long praised as "the flower of the south," knitwear is one of the stronger sectors of Guangdong's textile industry. It enjoys a good reputation at home and abroad and is a promising vital industry. To upgrade its knitwear products and put an end to its historical dependence on the "three traditional types" of product, namely, sweat shirts and pants, cotton shirts and pants and vests, Guangdong must increase product variety, including color and design, and step up export. Through such mechanisms as import processing and loans, the province has imported 3,760 plants or sets of knitwear equipment since 1979, 56.78 percent of all its imported equipment. No longer does the knitwear industry turn out only pure cotton goods. Guangdong No 4 Knitwear

Factory, for example, was mostly fitted with equipment dating from the 1920's and 30's and had only 800,000 yuan in fixed assets. In recent years, it adopted the method of "borrowing a hen to lay eggs and selling the eggs to buy hens," and imported 235 pieces (sets) of advanced equipment to replace 70 percent of its old machinery. While it used to produce just one line of product previously, it has now matured into an export-oriented enterprise turning out a dazzling variety of goods, from thick to medium to thin. Its profits have risen more than 200 percent compared with the pre-modernization days.

Guangdong's drive to import equipment and technology in recent years has been marked by an emphasis on "suitability," "excellence," and "promptness." Efforts have also been made to "keep up" with the imports.

"Suitability" means importing the kind of advanced technology and equipment best suited to fill the nation's and province's technical void. We must aim high, transcend the conventions of technological development and make the world's latest technology today serve China. Among the technology and equipment imported by Guangdong is some which is of the standards of the late 1970's and early 80's. A large part of it has helped fill the gaps in China's and Guangdong's scientific and technical know-how, eg., the "compact" high-speed polyester-fiber spinning machinery imported by Xinhui Polyester Fiber Plant; "compact" FDY high-speed spinning machinery for both polyester fiber and polypropylene fiber, imported by Xinhui Synthetic Fiber Plant; and a production line for polymerization, the reeling off of raw silk from cocoons, weaving, dyeing and polyamide fiber, imported by Xinhui Dyeing and Weaving Factory as an assimilation project incorporated in the Seventh 5-Year Plan for the 1980's. Both the warp knitting equipment at Heshan General Woollen Mill and the high-pressure hosing equipment for polyester fiber and polyamide fiber lining glue imported by Foshan Woolen Sweater Company supplied China and the province with something they lacked before.

"Excellence" means selecting quality equipment that is advanced by international standards and adapts well to China's conditions. Over the past few years, before we imported a piece of technology, we first tried to understand its technical functions, price and the availability of parts and components. We insisted on comparison shopping and avoided rushed or shortsighted purchases, an approach now proved by facts to have ensured that the import would later be put into production successfully. Of our imports now in service, basically every single item went into operation without a hitch and has been performing satisfactorily since then, turning out products that are competitive on account of both their quality and their diversity.

"Promptness" refers to the speediness with which project negotiations proceed, a deal is clinched, infrastructural facilities go up and a project pays off. Judging from the experience of several major imported projects in Guangdong involving chemical fiber, knitwear, wool spinning and cotton spinning plants, it usually takes a year and a half, but sometimes as soon as a year, for a project to get off the ground, from infrastructural development through the installation of equipment to trial production. These projects were able to go into operation quickly because, first, the provincial government has given the localities and enterprises considerable discretion in the application of relevant policies and regulations. Second, leaders and agencies at all levels take the textile industry seriously and support it. When a major project is at stake, a leader in the local government will always take charge of coordinating its various aspects, such as capital, materials, site formation and construction to make sure things actually get done. Third, provincial corporations plan comprehensively and allocate rationally on a macroeconomic scale. They support any local projects as long as they meet policy requirements, satisfy overall provincial allocation needs, have guaranteed sources of funding and raw materials and marketing channels, and are economically efficient. What is more, they give concrete assistance to the enterprises to help them overcome the problems encountered in the course of putting up a project, and smooth their relations with units above and below to ensure that the project is completed, goes into operation and begins generating income without delay. Where the project concerned is of great significance or sets a trend, the leadership of provincial corporations will get personally involved in solving the detailed problems attendant upon project development.

"Keeping up" means providing personnel with technical training to enable them to handle the project in question. After a project is finalized, we always train the "horseman even before the horse is here," that is, we select a batch of key personnel and send them abroad or to relevant factories within China for training. We also invite experts to give lectures. When the plant is completed, the personnel will be well equipped to perform their duties. That is why technology and equipment imported by the province has basically been able to operate successfully at the very first trial.

The import of advanced technology and equipment has laid a solid foundation for the development of the province's textile industry. During the past few years, we have organically integrated technology import with the development of new product lines and the diversification of design and color to satisfy market demand and enhance product competitiveness. We have also expanded the application of imported equipment from one raw material to several. Since 1981, textile industry throughout the province has trial-manufactured 32,020 "four-new" items, of which 801 were new products, 10 won the silver shield awards of the state, 26 received the outstanding quality awards made by the Ministry of Textile Industry and 57 captured the province's outstanding quality awards.

With an eye to balancing our foreign exchange, we have taken pains in recent years to coordinate vital equipment that would help our export drive, even as we imported advanced technology and equipment in the form of plants. Statistically, the province's textile industry earned $1.133 billion in foreign exchange from 1979 through 1985, 3.57 times its expenditures of $317 million on technical import. Take, for instance, Guangdong No 1 Cotton Mill, an old enterprise which used to make primarily cotton cloth and cotton yarn. To upgrade its products and increase exports, the mill since 1979 has acquired from Hong Kong through compensation trade and import processing a complete set of spinning, weaving, dyeing and treatment machinery for manufacturing indigo denim. After the equipment went into operation, the mill produced a total of 36.79 million yards of denim from 1982 through 1985, of which 27.63 million yards, or 75 percent, were exported, earning $31 million in foreign exchange on sales of 108.95 million yuan. Its foreign exchange earnings represent five times what it spent to import the entire plant.

At present a number of problems remains in project planning. For example, most projects are still of the extensive type and few old factories have really been modernized; domestically-oriented projects outnumber export-oriented ones; more enterprises spend foreign exchange than earn it; and a lag exists between technology import and technology absorption and assimilation. All this awaits solution through our continuous efforts.

12581
CSO: 4006/1014

ZHEJIANG INDUSTRIAL OUTPUT UP 9 PERCENT IN FIRST QUARTER

Hangzhou ZHEJIANG RIBAO in Chinese 11 Apr 86 p 1

[Text] In Zhejiang, leaders at all levels attach a good deal of importance to industrial production and insist that it grows at an appropriate rate on the basis of improving economic efficiency. During the first quarter, gross industrial output value for the whole province rose 9 percent over the same period last year, while gross light industrial output value increased 10.7 percent; the momentum for sustained, steady and balanced growth has been maintained.

Earlier some comrades took a one-sided view toward the issue of growth rate, believing that "slow growth is better than fast growth." This notion, coupled with the half-hearted efforts to implement economic responsibility systems within enterprises and the lack of raw materials, has definitely affected production. Based on their in-depth studies, provincial government leaders stress that leading comrades at all levels must correctly interpret the growth rate issue in an overall context. On the one hand, they must say no to the kind of unchecked fast growth that pays no need to the constraints imposed by limited financial and material resources and the capabilities of the various quarters. On the other hand, they must take into account growing social needs and do all they can to tap every potential, raise production, improve supplies and ensure an appropriate rate of economic growth, on condition that product quality is improved, the consumption of energy and raw materials is reduced and economic and social efficiency is emphasized.

With a unified understanding of growth rate matters, leaders at all levels, from provincial through municipal and prefectural to county, have generally intensified their guidance over economic work and made thorough on-site investigations to solve problems. The Zhejiang Economic Commission and departments in charge of industry at all levels have improved the production regular meeting system and promptly overcome production problems. These departments, together with others in charge of materials, grains and transportation and banks have supported and closely cooperated with one another, doing their best to provide enterprises with materials like industrial salt and industrial grains as well as capital to ensure their normal production. Everywhere industrial departments have taken an array of measures to substantially boost the output of popular articles of daily use that are in great demand. Statistics show that of 40 categories of light industrial products, 34, or 85 percent, registered a gain in output in the first quarter compared with the same period a year ago. The increases were particularly impressive for domestic electric appliances and daily consumer goods; refrigerator and radio cassette recorders output went up 156 and 143 percent, respectively. The gains in watches, electric fans, woolen goods, beer, canned food and glass of daily use ranged from 20 to 83 percent.

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CSO: 4006/1030

CONSTRUCTION

MAJOR HIGHWAY PROJECTS IN SEVENTH 5-YEAR PLAN

Chengde JINGJI XIAOXI in Chinese 11 Apr 86 p 5

[Text] Of the 42 roads scheduled to be built during the Seventh 5-Year Plan, 27 are major highways, as follows:

(1) Beijing-Tanggu Expressway. 142.5 km.

(2) Beijing-Shenyang Highway. Conversion to Class 2 (and Class 1 in part), 346 km.

(3) Shenyang-Dalian Highway. New construction and conversion to Class 1, 390 km.

(4) Shenyang-Harbin Highway. Conversion to Class 2, 450 km.

(5) Siping-Hunjiang Highway. New construction and conversion to Class 2, 273 km.

(6) Suifenhe-Qiqihaer Highway. New construction and conversion to Class 2 and 3, 390 km.

(7) Xilinhaote-Saihantala Highway. Conversion to Class 3, 354 kilometers.

(8) Taiyuan-Yuncheng Highway. New construction and conversion to Class 1, 8 km, and Class 2, 292 km.

(9) Shanghai-Nanjing Highway. Conversion to Class 1, 5 km, and Class 2, 275 km.

(10) Shanghai-Hangzhou Highway. Conversion to expressway, 21 km; Class 1, 24 km; Class 2, 116 km.

(11) Hefei-Nanjing Highway. Conversion to Class 1, 135 km.

(12) Nanjing-Hangzhou Highway. New construction and conversion to Class 2, 118 km.

(13) Fuzhou-Xiamen Highway. Conversion to Class 2, 266 km.

(14) Jinan-Qingdao Highway. New construction and conversion to Class 1, 300 km.

(15) Shangrao-Pingxiang Highway. Conversion to Class 2, 208 km.

(16) Nanchang-Jiujiang Highway. New construction and conversion to Class 1 (one lane), 125 km.

(17) The eastern route of the beltway on Hainandao. New construction and conversion to Class 2, 272 km.

(18) Nanjing-Beihai Highway. Conversion to Class 2, 198.5 km.

(19) Liling-Xinhuang Highway. New construction and conversion to Class 1, 18 km; Class 2, 40 km.

(20) Luocunkou-Kunming-Wanding Highway. Conversion to Class 2 and 3, 557 km.

(21) Chinese section of the Chinese-Nepalese Highway. New construction and conversion to Class 3, 134 km.

(22) Lintong-Xian-Tongchuan Highway. Conversion to Class 1, 129 km.

(23) Chinese section of the Chinese-Pakistani Highway. Conversion to Class 3, 420 km.

(24) Baotou-Lanzhou Highway. Conversion to Class 2, 460 km.

(25) Lanzhou-Xining Highway. Conversion to Class 2, 129 km.

(26) Xining-Guoluo. Conversion to Class 3, 233 km.

(27) Guangzhou-Zhuhai. New construction and conversion to Class 2, 100 km.

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CSO: 4006/1030

JOINT CONFERENCES PROMOTE SINO-U.S. TRADE

HK210824 Beijing GUOJI SHANGBAO in Chinese 12 May 86 p 1

[Report by reporter Hao Ping [6787 1627]: "Promote Continuous Development of Sino-U.S. Trade"]

[Text] At the invitation of American Vice President George Bush, Vice Premier Yao Yilin left Beijing on an official visit to the United States on 12 May. As the chairman of the Chinese side, Vice Premier Yao will co-chair the fourth meeting of the Sino-U.S. Joint Commission on Commerce and Trade to be held in Washington.

Since 1981 when former U.S. Secretary of State Haig visited China and suggested establishing the Sino-U.S. Joint Commission on Commerce and Trade, the two countries have held three meetings in Beijing and Washington respectively with the first meeting being held in 1983, the second in 1984, and the third in 1985. The responsibilities of the Sino-U.S. Joint Commission on Commerce and Trade are to examine and discuss bilateral economic cooperation, investment, technological transfer, and the situation of bilateral trade development; look for measures and steps to eliminate the obstacles; and continuously promote the smooth development of bilateral economic and trade relations.

Since 1972, when Nixon visited China and the two countries signed the Shanghai communique, Sino-U.S. economic and trade relations have been developing very fast. By the end of 1985, the total amount of direct U.S. investment in China exceeded U.S. $2.1 billion and the number of Sino-U.S. joint ventures already approved had reached 130.

According to the customs statistics, in 1985, the Sino-U.S. import and export volume reached U.S. $7.3 billion, hitting an all-time high. The volume of China's imports from the United States was U.S. $5 billion, in which the proportion of mechanical, electric, and instrumental products accounted for nearly 40 percent; the volume of China's exports to the United States was U.S. $2.3 billion, which was equivalent to that of 1984. The various economic and trade agreements signed and the various joint commissions established between the U.S and Chinese Governments stand in the forefront both in number and in scope among all the countries that have economic and trade relations with China. The United States has become China's third biggest trade partner. From 1979 to 1985, the bilateral trade volume between the United States and China accumulated to U.S. $35.3 billion. Great changes have also taken place in the bilateral import and export trade structure. China's imports from the United States have shifted from farm products and raw materials to mechanical, electric, and instrumental products and some other technological products. From a long-term point of view, there is great potential in the Sino-U.S. bilateral trade. In the economic and trade cooperation projects now under discussion between the two sides, there are many important industrial projects, including sea oil, coal mine, hydropower, telecommunications, aviation, the extraction and utilization of non-ferrous metals, and so on.

However, attention should be paid to the rise of protectionism in the U.S. Congress regarding Sino-U.S. trade. This treatens the expansion of China's exports to the United States. China is carrying out the policy of opening up and has adopted a series of measures to encourage Sino-foreign economic and technological cooperation and investment cooperation so as to have provided good conditions for the development of the Sino-U.S. economic and trade relations. However, the scope and volume of the bilateral trade will also depend on whether China's exports to the United States can steadily increase or not.

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CSO: 4006/1051

FOREIGN TRADE AND INVESTMENT

HUNAN CEMENTS TRADE TIES WITH COLORADO

HK240338 Beijing CHINA DAILY in English 24 May 86 p 2

[Article by correspondent Rosie Wu]

[Text] New York--At a high-tech conference held this week in Denver, Colorado, three Chinese entities are present. One delegation is from Colorado's sister province Hunan, while the other two are from the Ministry of Astronautics and the Huaxiang Industry Corporation based in Changsha.

The Chinese will visit high-tech companies and installations in the state and examine the possibility of expanding business, state officials said.

Two weeks ago, a conference on trade and investment opportunities in China was held in Denver, sponsored by the state. Business executives from 150 companies attended the conference and listened to a speech given by Chinese Ambassador Han Xu.

In June, the governor of Hunan, Colorado's sister province for the past three years, will pay a visit to Colorado, exploring ways to further develop business and cultural relationships between the two.

In September, Colorado School of Mines and six Colorado companies will participate in the Mining China '86 Trade Show to be held in Beijing. They will exhibit surface and subsurface mining equipment for coal and hard rock minerals, and electrical, communications, medical and transport equipment for mine operations.

A state of 3 million people, Colorado has a group of very active businessmen and state officials committed to the long-term relationship with China, Lieutenant Governor Nancy Dick declared.

Dick has just returned from her fifth visit to China. Three years ago, she signed the Colorado-Hunan Sister State Agreement following a successful industrial conference between the province and the state. Last September, she headed a large trade delegation from Colorado, touring Beijing, Shanghai, Changsha and Guangzhou.

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CSO: 4020/334

FOREIGN TRADE AND INVESTMENT

CLANDESTINE RADIO SAYS YAO TRIP FAILS TO SOLVE PROBLEMS

OW260410 (Clandestine) Ba-Yi Radio in Mandarin to China 1215 GMT 24 May 86

[Text] During his negotiations in the United States, Vice Premier Yao Yilin failed to solve problems, including China's huge trade deficit with the United States. As pointed out by Comrade Yao Yilin, China's trade deficit has already exceeded $15 billion since 1972, and is growing. The imbalance has been caused primarily by the unfair situation in Sino-U.S. trade.

As is known by all, China bought from the United States large numbers of combine harvesters, much mining and oil refinery equipment, civilian aircraft, locomotives, motor vehicles, special instruments for scientific research, and computers. These goods were sold to us at high prices, which have continued to rise. At the same time, we exported to the United States petroleum, petrochemical products, textile goods, garments, toys, sporting goods, tableware, vegetables, and fruits. The prices of these products are relatively low on the international market; the prices of petroleum and petrochemical products especially have dropped continuously. Moreover, the Americans recently scrapped a previously signed agreement in an effort to renew the restrictions on Chinese textile and garment exporters to the United States. The low prices of our exports and restrictions on them will inevitably lead to a continuous increase in our trade deficits with the United States. According to estimates, China's trade deficits with the United States will increase by $1 billion this year.

During his negotiations, Comrade Yao Yilin asked the U.S. side to give a fair price for Chinese commodities. But the Americans avoided a settlement of this problem, which has a serious impact on China. Here, it is necessary to mention the trade between the United States and the Kuomintang authorities. Currently Taiwan ranks sixth and enjoys a favorable balance in U.S. foreign trade. It has a trade surplus of $10 billion. Obviously the United States is pursuing a two-China policy in its trade with us and Taiwan.

Another longstanding problem in Sino-U.S. trade is the United States' downright refusal to sell us sophisticated technology and equipment. Fearing that we will be able to manufacture such advanced machines and equipment by ourselves, the Americans have refused to supply us even with spare parts for the machinery and equipment we bought. Needless to say, they want to make us rely on their finished products and spare parts for the next few years so that they can control the prices and reap more profits for a long time to come.

In short, the outcome of Vice Premier Yao Yilin's negotiations in the United States has once again proven that the U.S. imperialists have no intention whatsoever to establish equal and mutually beneficial trade relations with us. They have always put their selfish gains above anything else and done everything possible to exploit the people of other countries.

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CSO: 4006/1051

FOREIGN TRADE AND INVESTMENT

BRIEFS

SICHUAN-HONG KONG COOPERATION--Hong Kong, 23 Apr (XINHUA)--Shu Hui [5771 6540] Industrial Company, an enterprise mainly devoted to developing and producing microwave communications technology and equipment, opened for business in Hong Kong on 22 April. It was jointly established by Xin Guang Industrial Import and Export Company from Sichuan Province and Hou Tian (International) Company of Honk Kong. The purpose of the establishment of the company is to absorb foreign capital and import advanced equipment in order to speed up development and production of mcirowave communications equipment suitable for use in China's rural areas. The company will also be used as a showcase to increase the export of commercial products made by military industrial enterprises in Sichuan Province. [Summary] [Beijing XINHUA Domestic Service in Chinese 1426 GMT 22 April 86 OW] /12640

XINJIANG INTERNATIONAL TRADE LINKS--Urumqi, May 28 (XINHUA)--Xinjinag Uygur Autonomous Region plans to expand its trade with the Soviet Union and Eastern Europe during the 1986-1990 period, deputies to the region's ongoing people's congress have decided. During the period, Xinjiang will also try to develop trade with West Asian, Arabian and Southeast Asian countries while increasing commerce with Japan, the United States, Western Europe, Hong Kong and Macao. Located in northwest China, the region borders on Afghanistan, India, Mongolia, Pakistan, and the Soviet Union. According to local officials, Xinjiang has established trade relations with more than 50 countries and regions. Between 1981 and 1985, its foreign trade totaled 814 million yuan, a ninefold increase over the previous five years. According to the region's development plan, Xinjiang's foreign trade volume in 1990 will reach 500 million U.S. dollars, a 60 percent increase over 1985. For this year, it plans to increase its trade volume to 323 million U.S. dollars, up 10.6 from last year. Major exports include carpets and raw cotton and cotton yarn and cloth. A railroad under construction in Xinjiang will be linked with the Soviet Union by 1990 and work upgrading the road to Pakistan has been accelerated. [Text] [Beijing XINHUA in English 1525 GMT 28 May 86 OW] /6662

BUSINESS WITH KUWAIT, TUNISIA--Beijing, May 28 (XINHUA)--China, Kuwait and Tunisia are to set up the China-Arab Chemical Fertilizers Company (SACF) in the port city of Qinhuangdao in Hebei Province. State Councillor Zhang Jingfu met today entrepreneurs from the three countries, who attended the SACF's second board meeting of 1986 held in Qinhuangdao May 26. Zhang wished them success in their cooperative efforts and hoped that the company would be a good example for South-South cooperation. Among those attending the meeting were Al Nouri, chairman and managing director of the Petrol Chemicals Industry of Kuwait, and B. Aouni, chairman and president of the company of phosphoric acid and fertilizer. [Text] [Beijing XINHUA in English 1409 GMT 28 May 86 OW] /6662

CSO: 4020/334

SPECIAL ECONOMIC ZONES

SEZ ENTERPRISES FORGE AHEAD IN TECH TRANSFER, ABSORPTION

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 1 Feb 86 p 1

[By correspondents Ji Honggeng [6060 3126 6342] and Huang Jichang [7806 7139 2490]: "The Special Economic Zones [SEZs] Unswervingly Develop Outward-Oriented Economies; They Have Started Large Numbers of Small-Scale, Light-Industry, Astute New Enterprises, Energetically Engaging in Joint Investments With Other Domestic Departments and in Imports From Abroad"]

[Text] The four SEZs in China valiantly exert themselves in the arduous struggle along the road of developing their outward-oriented economies, a field in which several advanced enterprises are now groping their way along, testingly, and are already reaping their first results.

The operation of "small-scale, light-industry, astute, new" enterprises. The idea of several units which newly established themselves at Shenzhen is to set up small-scale, light-industry, astute new enterprises.Some factories have only a score of or 100 to 200 employees. The Shenzhen Joint Company of the China Abrasive Wheel Factory No 2 is such a "little sparrow," which is laying "golden eggs" after only 1 year in existence. Its annual production is 1.5 million high-speed cutting wheels and "cymbal-shaped" abrasive wheels, which enjoy a good reputation overseas. The Hansheng Special Wire Corporation in the Zhuhai SEZ also can offer several specialties: they are "new," because they are technologically new and new as regards some of their items of production, all manufactured with advanced equipment. The quality of their "Panda" brand 75-ohm special feeder cables for television sets is superior to products from neighboring countries. It is a "small-scale" enterprise because it employs only 40 persons, had to spend only $26,000 for the importation of its equipment and required only half a year from its planning stage to actual production. It is an "astute" enterprise because it relied only on its own ability to absorb its imported equipment and technology, and was successful in its first test production and in introducing its products into the international market. Among the 45 industrial enterprises which up to the beginning of this year went into production in the Shantou SEZ, the larger ones are employing somewhat over 100 persons, the smaller ones only 40 to 50 persons.

Economic cooperation with the other departments and enterprises in the hinterland and importation from abroad; increasing values and exporting of goods. Enterprises that have been successful have become so by concentrating their efforts on combining economic cooperation with other departments and enterprises in the hinterland with their importations from abroad. One economic entity at Shenzhen, the Hualian Textile Corporation ("Huasi"), showed an integration of industry with trade, as it was organized by the Ministry of Textile Industry and the China International Trust and Investment Corporation, with joint investments from the textile departments of 18 provinces and municipalities. This company has built, or is in the process of building, 14 plants for spinning and weaving, printing and dyeing, knitting and for the manufacture of garments, primarily using semifinished and primary products of the interior, improving them by quality processing and quality packaging in Shenzhen, i.e. "dressing them up," and then marketing the products in the international market. The No 1 Cotton Mill of the company uses a most advanced air-current yarn production line, which increased work efficiency 4-fold; all its products are exported and it enjoys an excellent reputation overseas. They also imported advanced technologies and equipment from abroad for printing and dyeing and are processing the unfinished silk supplied from Zhejiang by printing and turning the material into multicolored silks, some being made up into garments, and the entire production being exported. According to revised calculations, the processing of the unfinished silk by printing and dyeing and turning the silk into multicolored material can increase the value of the goods by more than 40 percent; working the material into garments can increase the value by 120 to 150 percent. Overseas customers warmly welcome these products. The Marine Products Development Co. of Shantou not only engages in aquatic breeding but also more and more in intensive processing, refrigerating, etc. They imported a fully automatic production line for barbecued eel, which on going into production can annually create 4.8 million yuan of foreign exchange.

Harmonious combination of Chinese and Western elements in pursuing practical and realistic projects. Some enterprises in the SEZs lay particular emphasis on using the most modern technologies in the manufacture of new products. Other enterprises prefer the use of advanced technologies and equipment to develop traditional industrial products. Others, again, concentrate their efforts on developing from lower to higher levels of production with a harmonious combination of Chinese and Western elements. The Huasheng Magnetic Tape Factory of Wanzhai in the Zhuhai area is a township enterprise, which 3 years ago employed only 6 persons, had a factory of 16 square meters and only simple and crude equipment. Its annual production had a value of not quite 200,000 yuan. In recent years, they made good use of information from the international market, employed their retainable foreign exchange and a bank loan to import advanced equipment from Japan, the United States, Italy and other countries to build up a complete production line for plastics injection molding, coating, tape cutting, assembly, multiple recording and right down to tape testing. In cooperation with Chinese scientific research units, they developed a testing tape of the HCD box type and two other items, which are selling well domestically and abroad. By now the said factory has built a 5,000 square meter industrial building of seven stories. The value of its annual production is in excess of 30 million yuan, with over 2 million yuan annual profits and creating more than 10 million Hong Kong dollars in foreign exchange. People in the neighborhood are apt to boast: "The little worm of Wanzhai has grown into a large dragon with power to overturn rivers and stir up the sea!"

"Only by going in for an outward-oriented economy can there be vitality in the SEZ." This is what many highly placed persons in the business community say. As to the 29 enterprises under the "China Aviation Industry and Trade Center," set up at Shenzhen by the Ministry of Aeronautics, 80 percent of their last year's production was exported for sale abroad. They paid several million yuan tax during the first three quarters of last year. In the Shekou industrial district, the value of industrial products exported annually over the last 3 years was more than half of the total value of industrial products exported from the entire SEZ, reaching 75 percent last year. By now more than 100 industrial products manufactured at Shekou have entered the international market, and Shekou has had a surplus in its foreign exchange balance consecutively during the last 3 years. The accomplishments of the Shekou industrial district reveal the splendid prospects for the development of any "outward-oriented" economy.

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CSO: 4006/941

RENMIN RIBAO SEES GOOD RESULTS AT SHANTOU SEZ

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 25 Feb 86 p 3

[By correspondents Yang Zhicui [2799 0037 3862], Sun Guolin [1327 0948 3829], Wang Ruizhong [3769 3843 1813] and Zheng Ruiguo [6774 3843 0948]: "Open Up One Sector, Build Up One Sector, Put One Sector Into Operation, Reap Profits From That Sector; Good Results at the Shantou Special Economic Zone [SEZ] As It Pushes Developments to the Utmost of Its Abilities; Major Portion of Light Industry and Agricultural Products Sold in the International Market"]

[Text] The Shantou SEZ in Guangdong Province persists in doing its utmost on the principle of opening up one sector, building up one sector, putting one sector into production and reaping profits from that sector; it does very solid constructive work, and the results are very good.

During the more than 4 years of its development, the Shantou SEZ derived most of its capital from foreign investments, its production was mainly industrial and agricultural and most of its products were destined for export. It took the initial steps to develop an outward-oriented economy. The products of its light industry, such as plastic products, garments, electronic toys, carpets, furniture, imitation antique ceramics and imitation jewelry, are to 60 percent being sold in the international market. Agricultural products, such as eel fingerlings, full-grown eels, snake products, wild animals, vegetables, fruits, prawns and green crabs are to 96 percent being exported. The total value realized by the SEZ last year from its industry and agriculture was more than 4 times the amount for 1984. These products created over $40 million in foreign exchange, 10 times the amount for 1984.

In its negotiations with foreign businessmen, the Shantou SEZ made it a major condition for acceptability of the projects whether the products can be exported and whether a foreign exchange balance can be achieved. Up to the end of January this year, contracts have been signed and industrial and commercial registration has been effected for a total of 248 enterprises, representing an investment of over 1.99 billion Hong Kong dollars. Of these enterprises, 61 were Chinese-foreign joint ventures, joint management enterprises and foreign- financed enterprises, with a total investment of $540 million Hong Kong dollars.The more than 10 factories that had been set up as the first lot in the Longhu industrial district, such as the Fensheng, Huayi carpet and other factories, are all foreign- financed or Chinese-foreign joint ventures. The first lot of agricultural projects are aquatic breeding farms developed jointly with foreign businessmen. The first lot of commercial and tourist network outlets are the Longhu Market, the Longhu Hotel and other such projects developed as Chinese-foreign joint venture or cooperatively managed enterprises. Much foreign investment also went into communications, transportation, real estate and other such undertakings. In 1984 the Baolong Co. of Hong Kong established the self-financed "Jinlong Weaving, Dyeing and Garment Co., Ltd." in the SEZ, which achieved good profits. The said company then again cooperated with the SEZ in 1985 in setting up the joint "Huabao Garment Co." venture on an even larger scale than "Jinlong," importing a whole production line for the manufacture of foreign clothes, which are being sold as far away as Europe and the United States. The area occupied by toy factories solely financed by Hong Kong businessmen has expanded from the original 1,000 square meters to 3,000 square meters. Demand exceeds supply of new products from the Zhengda Kangdi Feed Processing Plant, set up with investments from Thailand and the United States; this plant too is considering an expansion of its production.

For several years, the SEZ has invested 70 percent of its limited capital funds into items of the infrastructure with developmental and production potential, such as energy sources, transport facilities and communications and built up successively a special transformer station of 110 kilovolt- ampere, a special wharf for 3,000-ton vessels, and purchased three small-scale cargo vessels and one luxury passenger boat. Also completed is Shantou's 1,500-line telephone link with Hong Kong. By far most of the completed engineering projects, or those in the process of construction, are buildings to house industrial factories, and a small portion are installations for the livelihood of the people, such as residential buildings.

This year, the Shantou SEZ will continue to devote efforts to the building and expansion of items of the infrastructure, while at the same time making development of industry its key concern, actively importing foreign capital and expanding its capacity to export and create foreign exchange. Items of this year's capital construction are: development of its 0.2 square kilometer wide third subdivision; construction of the main thoroughfare of the SEZ, the 8kilometer long third section of Jinsha East Road; continued construction of 3 general factory buildings and the new construction of 4 plants for the processing of agricultural and sideline products; the building up of a financial and commercial district with such buildings as a commodity building of 12 stories, a commodity purchasing center of 16 stories, a market of 6 stories and a finance and banking building; construction of a feed processing plant with an annual capacity of 2,500 tons, and construction of a rare-earth processing plant.

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CSO: 4006/941

SHEKOU INDUSTRIAL ZONE SUFFERS ECONOMIC SETBACK

HK060723 Hong Kong SOUTH CHINA MORNING POST (**BUSINESS NEWS supplement**) in English 6 May 86 p 1

[By Olivia Sin]

[Text] Shekou Industrial Zone suffered a setback in the pace of foreign investment in the first quarter of this year, partly because of China's measures to tighten control over its economy.

A vice-chairman of Shekou's administrative committee, Wang Jingui, said the zone had sealed fewer than 10 agreements with businessmen in the first three months, only half the number in the same period last year.

But he said the slowing down of development may have provided a welcome breathing-space for Shekou, which has undergone hectic expansion over the past five years.

The 10 sq km zone, to the west of Shenzhen, is being developed by state-owned China Merchants Steam Navigation Co (CMSN), a commercial arm of the Ministry of Communications.

Mr Wang said Beijing's recent squeeze on credits has rendered it more difficult to obtain funding for new projects.

Worse still, China's new export controls have prolonged the approval procedures for setting up export-oriented industries in Shekou.

In a bid to curb parallel trading, China expanded its export control scheme to cover 235 items in February.

That means foreign investors setting up factories in China to produce goods for export are also required to apply for licenses.

It used to take about a month to obtain approval for new projects; it now can take as much as six months, Mr Wang said.

The fact Beijing has called for a break on capital investment throughout the country has also slowed the development of Shekou's infrastructure and the pace of foreign investment.

Mr Wang disclosed the turn of events at a reception in Hong Kong yesterday to attract foreign interest in the industrial zone.

Scores of diplomats and Hong Kong Government officials were invited to the event, which included the showing of a 30-minute film depicting Shekou's development.

Mr Wang also admitted that the slide in oil prices and fall-off in drilling activities in the South China Sea had adversely affected Shekou, a logistics base for China's offshore oil programme.

The luxury Nanhai Hotel in Shekou, built to capitalise on the oil activities, has reported only 30 to 40 percent occupancy on weekdays.

Tourists visiting the zone during the weekend have helped fill up the hotel, a joint venture involving Hong Kong and Shanghai Bank, [word indistinct] and the Miramar Hotel.

"We believe that the number of oilmen staying in Shekou will increase after the typhoon season," said Mr Wang. Oil companies normally suspended operations during the typhoon months to avoid accidents.

The suspension may be longer this year than last, however, because the falling oil price has forced operators to either trim or postpone exploration plans.

Up to the end of last year, Shekou had concluded 206 agreements with foreign investors, worth a total of HK$2.6 billion.

About half of these agreements were for industrial projects, including manufacture of electronics, furniture, toys and aluminium plate. The rest were related to commerce, tourism and other service industries.

Mr Wang said 150 projects, including industrial ones, had so far started operation in the zone.

He said Shekou's total industrial output reached 800 million yuan (about HK$2 billion) last year, of which 70 percent was destined for export.

Analysts attending yesterday's reception were sceptical, however. "I think the 800 million yuan figure is a bit too much for Shekou in view of its emphasis on light industries and its comparatively low technical skill," one said.

Mr Wang said that like the Shenzhen Special Economic Zone, Shekou had received support from various industrial ministries, some of which have decided to invest in Shekou.

The zone is close to the port facilities in Chiwan and Wuwan, both of which can accommodate vessels of between 10,000 and 20,000 tons.

About 300 million yuan is to be devoted to capital investment this year--an amount similar to last year's level.

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CSO: 4020/315

WAGE DISSATISFACTION CREATES ADMINISTRATIVE PRESSURES

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 24 Mar 86 p 14

[Article by Huang Jian [7806 0256]: "Measures Must Be Taken To Resist Wage Pressure"]

[Text] Starting with the revival of the bonus system, enterprises have been tackling wage reform for 7 or 8 years. By 1985, 10 million workers in state-owned enterprises were governed by a system tying wages to economic efficiency. The system is almost universally praised. Meanwhile, a mood of dissatisfaction with wages is also spreading and gaining momentum, gradually forming a form of social pressure that cannot be underestimated. This dissatisfaction is largely responsible for driving up wages and consumption funds.

As an expression of social expectation, wage dissatisfaction is not hard to understand. But it becomes an abnormality or a disease if it does not fall in line with gains in national income and productivity and exceeds the amount of goods and materials social productive forces and finite resources can produce. According to relevant data, total wages in China shot up 20 percent annually in 1984-85, while national income, labor productivity and agricultural and light industrial output value, which represents consumer goods production, averaged 11, 8 and 12 percent, respectively. This shows that wage increases have been overly rapid in the last couple of years and must be checked. Paradoxically, despite the large sums of money which have been paid out in wages and the substantial improvement in living standard, people are becoming more and more unhappy with what they earn. They feel that they are now working harder but getting less and that the government has given them a raw deal. Even more serious, this dissatisfaction is putting immense pressure on wages and has become both a source and a psychological basis for wage inflation, vastly complicating the effort to hold down consumption funds.

Wage dissatisfaction is caused by many reasons, most important of which is that some people have fared much better than others under the distribution system. First, there is distribution inequity among individual members of society. It is true that among people who now earn significantly more than others are some very hardworking individuals who over-fulfill quotas and are therefore paid extra. But there are also those who enrich themselves not through diligence but by taking advantage of preferential policies of the state and exploiting the loopholes created by the two kinds of prices. Yet others break the law, violate discipline and "turn reform into a windfall" for themselves: they engage in speculation and profiteering, go into business by abusing their official position and set up front companies. Second, there is distribution inequity among enterprises. Some industries or enterprises offer relatively high wages not solely because they are profitable but because they have been favored by a certain policy. For instance, enterprises selected to experiment with the system of pegging wages to profits and taxes pay their workers about 15 yuan more each person each month than other units.

Distribution inequity is a temporary phenomenon in the course of reform. Basically speaking, our aim is to establish and perfect distribution according to work. However, our occasional failure to adjust certain policies promptly has given rise to this misconception in the public mind, that the present situation is our reform goal and is what we intend to do in future. As a result, people have become bewildered and disaffected. Clearly this trend of disaffection is highly dangerous.

First and mostly directly affected by the mood of wage discontent were enterprises. Ultimately it was also enterprises which opened the floodgate of wage increase. Under the old economic system, wage levels were set by a rigid command planning system. Worker dissatisfaction with wages was stifled through a lack of communications channels. Nowadays, however, enterprises have become more autonomous in the use of funds. For instance, after paying taxes, they are allowed to take a percentage of profits and it is within their power to divert various funds toward the pool of money for bonuses. Their power to sell part of the products on their own makes it possible for them to jack up prices arbitrarily, to profiteer and to give out bonuses at random. The establishment of labor service companies and joint urban-rural ventures also enables state-owned enterprises to channel funds and profits into collective units for distribution as bonuses.

Under the old economic system, administrative control by local governments and departments constituted another hurdle to wage increase. But local governments and departments these days take an attitude of sympathy, understanding and tacit approval toward the wage malcontents, faced as they are with wage pressures and anxious to mobilize production initiative, show off their results and obtain more support from their subordinates.

Taking into account a variety of factors, the state has yielded to the powerful wage pressures converging from across the country and been forced to take a number of irregular temporary actions such as recognizing unreasonable faits accomplis, raising the starting point for bonus tax and adjusting the wage base. At a time when many distribution relations have not been straightened out, these temporary measures have further fanned the flames of wage dissatisfaction. As enterprises, regions and sectors each try to keep up with the others, wages spiral and a vicious circle of wage dissatisfaction-wage pressure-wage inflation came into being.

It is not only necessary but also possible to steer the social feeling of wage discontent into constructive channels. Under socialism, labor is the only way to satisfy consumption. Basically, wage dissatisfaction can be resolved through production development and a policy that enables all of us to [illegible] rich together. Under socialism, which follows the principle--from each according to his ability, to each according to his work, the more you do, the more you earn, the less you do, the less you earn and he who does not work shall not eat. This way people's desire for higher wages and consumption are closely integrated with labor and the concept of the wage is transformed into one of labor, thus stimulating the development of productive forces and satisfying man's ever-rising material and spiritual needs. What results is a mechanism whereby production and consumption regulate and promote each other. This is one of the basic goals of the restructuring of China's economic system.

At present, we must first ameliorate the most glaring conflicts and sort out distribution relations. We should take these major measures: 1) Levy a personal income tax on industrial and commercial households with excessively high incomes. At the same time we must make plans for the collection of property tax and inheritance tax to close the gaps between individual members of society. 2) Carry out in a small number of enterprises a pilot project tying wages to economic efficiency. The project should be implemented systematically and in a targeted way. Further efforts should be made to perfect evaluation criteria, adjust the coefficient at which wages and efficiency are related to each other and rectify inter-industry and inter-enterprise income disparities resulting from different external conditions and unequal opportunities. 3) Within an enterprise, the size of authorized personnel must be clearly established and wage distribution must be put on a more scientific basis by evaluating labor in strict accordance with technical ranking.

Apart from gradually putting together a regular promotion and wage adjustment system, enterprises must make full use of bonuses.

Second, the scope of control must be expanded and administrative management strengthened. Among the most important steps are these: 1) Even as we continue to curb basic wage increases as planned, we must intensify control on bonuses, especially assorted subsidies, allowances and welfare payments. A sound tax system should be worked out for the extra-budgetary income of scientific research units, social organizations, newly built tertiary industries and products sold by the enterprises themselves. Loopholes in the books must be plugged to remove the temptation to wrongdoing. 2) Wage management must be tightened. A strict distinction must be made between basic wages and floating wages, on the one hand, and bonuses, on the other. The former must be paid monthly, while the latter must be controlled in advance instead of demanding an accounting after the event. The percentage of profits that an enterprise is allowed to keep after taxes must be strictly controlled. Special funds must be used for the specified purposes. 3) Wage management should be made a crucial part of the evaluation of the performance of managers and directors at all levels. It should also be related to their economic results. In addition, comprehensive measures must be stepped up.

12581
CSO: 4006/977

TRANSPORTATION

NORTHEAST INTEGRATED TRANSPORT NETWORK ENVISAGED

OW040748 Beijing XINHUA in English 0721 GMT 4 May 86

[Text] Shenyang, 3 April (XINHUA)--An integrated land, water and air transport network with state-owned railways as the backbone will be developed in northeast China by the turn of the century, an official in charge of local transport said here today.

In an interview with XINHUA, Wang You said the construction of the network will serve the northeast China economic zone, the setting up of which was approved by the central government in 1985.

Covering Liaoning, Jilin and Heilongjiang Provinces and the eastern part of the Inner Mongolia Autonomous Region, the zone produces half of China's petroleum, iron, steel and timber, and a considerable amount of its coal, nonferrous metals, soda ash, automobiles and grain.

To accelerate the network construction, he said, provinces are encouraged to join the state in running transportation systems.

Liaoning and Jilin have purchased 13 freighters of 3,000 dwt each, and two railways being built by Heilongjiang and Liaoning will go into operation this year.

Three of the seven airports being renovated with joint investment from the local authorities and the civil aviation administration of China, have already gone into service. Heilongjiang has ordered three Tu-154 passenger planes from the Soviet Union for its planned aviation company.

In order to break down regional barriers, a company has been established to coordinate transport in the zone.

The railways have merged five administrations into two to facilitate train dispatch and management.

Trunk lines will be double-tracked and routes for coal transport renovated.

Short-distance cargo, estimated at eight million tons a year, is now transported by road instead of by rail, Wang You said.

In the meantime, a number of harbors are being built or renovated.

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CSO: 4020/307

REPORTAGE ON GUANGDONG GOVERNORS REPORT TO PEOPLE'S CONGRESS

Reviews Transportation, Telecommunications Progress

HK240622 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 22 May 86

[Text] In his report to the fifth session of the Sixth Provincial People's Congress, Governor Ye Xuanping said that during the Sixth 5-Year Plan period, the province made rapid progress in transportation and telecommunications so that a new situation has now appeared in the province's transportation and telecommunications.

Ye Xuanping said that during the Sixth 5-Year Plan period, the province completed railway transportation projects of 297.5 kilometers on the second Henyang-Guangzhou railway line, the Sanshui-Maomin railway line, and the second Guangzhou-Shenzhen railway line; built 2,348 kilometers of provincial grade highway; and built or revamped 490 permanent bridges, of which 45 are longer than 100 meters. Most major highways in the province have no ferry points and are open to traffic. Some 146,000 in-city telephones were installed in the province during the period. The Beijing-Wuhan-Guangzhou medium co-axis telecommunications cable and the eastern Guangdong-Western Guangdong-Hainan Island microwave telecommunications line have been put into operation. Some 36 counties and cities in the province now have direct telephone service with Hong Kong. The improvement the province made in telecommunications capability during the past 5 years exceeds that in the preceding 30 years. The province has initially established a telephone telecommunications service network with Guangzhou as its center and extended to major cities in the country and major cities and counties in the province and to Hong Kong, Macao, the United States, Japan, and other major international cities.

Assesses Seventh 5-Year Plan Growth

HK240311 Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 23 May 86

[Text] Governor Ye Xuanping pointed out in his report on the draft of the province's seventh 5-year plan that the province's industrial and agricultural output value is planned to rise at an annual rate of 9 percent during the period of the plan. This is a bit higher than the national average growth but lower than the province's sixth 5-year plan growth rate.

He said: In stipulating this growth rate, we are taking into account the necessity to create an excellent and relaxed environment for structural reform during the seventh 5-year plan and to avoid excessive tension in the economic relations. The province's economy should thus develop in proportion, with good economic results.

On the question of the scale and structure of investment, Ye Xuanping said that the province's capital construction during the seventh 5-year plan will show some increase compared with the sixth. However, it is necessary to readjust the investment structure. We must focus on ensuring electric power construction, and appropriately increase investment in communications, telecommunications, agriculture, science and technology, education, and the raw materials industries. Sources of investment for other projects should be solved through relying on a variety of channels such as the enterprises' own capital, local raising of funds, bank loans, and the use of foreign investment.

Stresses Continued Reform, Opening Up

HK240659 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 24 May 86

[Text] Governor Ye Xuanping stressed in his report to the Provincial People's Congress session that Guangdong must continue to persevere in the policy of reform and opening up during the seventh 5-year plan. He said that the main aspects of reform during this period include further invigorating the enterprises, especially large and medium enterprises owned by the whole people and exporting enterprises; vigorously promoting lateral economic ties; establishing and perfecting a socialist commodity market setup; establishing a new socialist macroeconomic management system; and carrying out associated reforms in science, technology, and education while grasping economic structural reforms.

Ye Xuanping said: The main contents of the province's policy of opening up to the world include further improving the construction of the open coastal areas; expanding foreign economic relations, trade, and technological cooperation; actively and efficiently using foreign capital to import advanced technology; actively developing tourism; continuing to encourage overseas Chinese and Hong Kong and Macao compatriots to invest in the interior; and resolutely protecting the legitimate rights of overseas Chinese.

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CSO: 4006/1064

GUANGZHOU'S TRAFFIC JAMS: REASONS GIVEN, SOLUTIONS PROPOSED

Guangzhou GUANGZHOU YANJIU [GUANGZHOU STUDIES] in Chinese No 5, Sep-Oct 85 pp 17-18

[Article by Liu Yongjie [0491 3057 2638]: "Guangzhou Municipal Economic Research Institute: "What is the Crux of the Traffic Jam Problem?"]

Traffic jams have become more and more of a nuisance in downtown Guangzhou, and problems in traveling, in boarding public transportation and in finding a parking place have become increasingly difficult. Statistics show that between 1950 and 1984 the total length of city streets in Guangzhou increased from 288 kms to 400 kms, an increase of no more than 39.2 percent while the number of motor vehicles increased from 1,215 to 98,000 and the number of non-motorized vehicles rose from 32,000 to 1.5 million in an 81 fold and a 44.4 fold increase respectively. As a result of the increasingly sharp contradiction resulting from the lack of roads and the meteoric increase in the number of vehicles using them, traffic accidents increased. In 1984, there were 2,908 traffic accidents in downtown Guangzhou, a 23.1 percent increase over 1983, in which 1,399 people were hurt, 179 killed, and losses amounted to 1.8 million yuan. In addition, the economic losses resulting from traffic jams and the slow speed of vehicles has been startling. It has been estimated that the average speed of motorized vehicles in downtown Guangzhou has decreased from 20 kms per hour in 1965 to 12 kms per hour at the present time. Losses from this situation alone amount to the carrying capacity of 6,700 vehicles and losses of 200 million yuan per year. Clearly, solution to traffic jams has become an extremely pressing matter in the building of Guangzhou.

The urban traffic control problem is a multi-faceted issue involving many disciplines that has very wide ramifications. It is limited by many factors including the nature of the city, its function, population, geography and layout. These factors are interactive and overlapping, making urban traffic problems more intricate. Downtown Guangzhou is one of the areas in the country with the densest urban population. Nearly 2 million people live in only 54.4 square kms for a density of 40,000 per square km. Furthermore, downtown Guangzhou straddles both banks of the Zhu Jiang dividing the area into three areas: Hopak, Honam and Fongchuen. This constitutes an "inherent shortcoming" for a rational pattern of urban traffic and for channeling and controlling it. But, the main reason for the worsening of traffic in downtown Guangzhou remains "acquired dislocations," which is to say it is man made. This is manifested largely in three key problems: failure over a long period in investment, planning, and management.

1. Insufficient investment over a long period of time and improper proportional allocations are the root causes for the traffic jams in downtown Guangzhou. Transportation is the artery of a great urban system that functions to take in, send out and move along traffic. Experience in foreign countries has shown that the building of highly effective urban economies is inextricably related to highly effective urban transportation. Yet, for a long time, we have not genuinely understood this point; we have devoted attention to industrial production while overlooking development of basic urban facilities.

First of all, investment in urban construction has been curtailed for a long time. The total invested in state-owned capital construction in Guangzhou between 1950 and 1983 was 11.352 billion yuan, but 801 million yuan, or only 7 percent, was used for urban construction. This included the lowest percentage invested during the Fourth 5-year Plan at only 4.94 percent. The reason was that from 1967 forward, Guangzhou City no longer withheld 5 percent from the profits of industrial and business enterprises. As a result, urban construction funds declined from somewhat more than 40 million yuan per year to 20 million yuan per year leading to a severe shortage of funds for urban construction. The shortchanging of construction year after year made the burden increasingly heavier. Despite the revival in 1979 of 5 percent withholdings from the profits of industrial and business enterprises and an increase in expenditures by the city, because the amount of investment is too much in arrears, expenditures are a long way from being able to satisfy needs of urban development.

Second, the proportional allocations within investment in urban construction have not been correct. Investment in urban construction between 1950 and 1983 was 801 million yuan, including an investment of 139.9 million, or only 17.3 percent, in urban construction, for downtown streets and bridges. Investment in urban construction has increased in recent years, yet the investment in roads and bridges has still been no more than 20 million to 40 million yuan per year. In neighboring Hong Kong, meanwhile, investment in road construction during 1982 amounted to HK$1.3 billion (approximately 480 million renminbi). This comparison shows clearly how miniscule Guangzhou's investment inroads and bridges has been.

Neglect of the development of public transportation has also been another major manifestation of the proportional imbalance in investment in urban construction in Guangzhou. Since liberation, downtown Guangzhou's population has shown a net increase of more than 1.3 million and passenger volume carried by public transportation has increased from 3.6 million to 1.02 billion per year in a 28.3 fold increase. But public buses and streetcars in the city have increased only approximately eightfold. In 1984, 15 new public transportation vehicles were purchased, but more than 60 old and dilapidated vehicles were taken out of service. As a result of too small an investment in public transportation, carrying capacity declined dramatically. Today, public transportation in the urban area carries an average 2.5 to 2.6 million passengers daily, the number exceeding 3 million on holidays. It is becoming increasingly difficult to board public transportation, and this has stimulated, in turn, a blind increase in the number of bicycles which have added to the traffic burden on roads and brought about a vicious cycle.

Very clearly, at the heart of Guangzhou's traffic jams lies a failure of road construction to keep up with growth of the number of vehicles and the sudden spurt in traffic volume. Unless the percentage of investment is increased rapidly and construction of roads and traffic facilities accelerated, not only will it be impossible to reverse this situation, but traffic jams will ripple out from a part of the city to envelop the whole of it.

2. A mixture of people and vehicles cluttering the roads, numerous blockages along the streets, insufficient places to park vehicles and an irrational pattern of passenger transportation is the crux of Guangzhou's traffic jams.

Guangzhou`s city streets are a conglomeration of various kinds of transportation,all sorts of vehicles mingling as they go along at different speeds getting in each other's way. On many roads today, there are no facilities for keeping various kinds of vehicles separate from each other. All kinds of motorized vehicles and non-motorized vehicles go along the streets in a jumble. There are no places set aside to park bicycles, so they are parked on sidewalks everywhere, forcing pedestrians to walk in the streets and fight with vehicles for the right of way. This greatly reduces the traffic capacity of the roads exacerbating an already hectic traffic situation.

Many obstacles on roads is yet another problem that produces headaches. There are about 70,000 individual street peddlers and more than 10,000 unlicensed street peddlers throughout the city today who offer their wares for sale as they please along the streets. In addition, there are more than 3,000 motor vehicles stopped here and there along the streets, seriously obstructing traffic. It has been estimated that construction work, peddlers and stopped vehicles occupy 25 percent of the total road area of the city.

Deserving of even greater attention is the irrational pattern of passenger transportation in the downtown area. As was said earlier, because of the slow increase in public transportation, the number of individual transportation devices has surged. In June 1982, there were 1.22 million bicycles in the downtown area; by the end of 1983, there were 1.4 million. In 1 1/2 years, the number of bicycles in the downtown area increased by 180,000, an average of 500 per day being licensed. Bicycles have become the leading mode of passenger transportation in Guangzhou outnumbering public transportation 3 to 1 in a very irrational pattern of transportation. Measurements show that a moving bicycle takes approximately 9 square meters of road space, while a moving bus carrying approximately 75 people takes 100 square meters of road space or an average 1.3 square meters per passenger. A person riding a bicycle takes up 6.9 times as much space as a person riding a bus. During rush hour in downtown Guangzhou today, there are no fewer than 250,000 bicycles on the streets at the same time. At this rate, bicycles take up a 2.25 millions square meter area, which equals the road area that would be occupied by 22,500 buses. In Guangzhou today, however, there are only slightly more than 1,500 buses. Were the number of bicycles restricted and half of the area occupied by bicycles turned over to buses, the problem of traffic jams on the roads would be greatly improved. Viewed in long-range terms,then, bicycles are not the direection in which the city's transportation should develop; much less should bicycles become the mainstay of the passenger transportation system of a large city. They can serve only as an auxiliary mode of transportation.

3. Many alterations of city plans and a lack of a scientific layout have been major elements contributing to traffic jams in downtown Guangzhou that cannot be overlooked.

Cities are large complex systems in which people are the dominant element, snd they are characterized by the utilization of space and have as their goal the gathering of economic benefits. They react slowly to changes in parameters; they stubbornly resist policy changes; and pressures to alter balanced relationships are cumulative and pent up in nature. Since these are the features of cities, the building of cities must have a clear cut urban system objective. With this objective, it then becomes possible under guidance of an overall urban plan to make a rational layout and to improve the downtown street transportation network. But, during the past more than 30 years, Guangzhou has been buffeted by "political winds" as a result of which its building programs have undergone seven separate changes, and overall urban plans have been changed along with them a total of 13 times. This has artificially caused the direction of Guangzhou's development and the pattern of its urban planning to waver back and forth irregularly. Though there are many reasons for today's traffic jams, unpredictability about the city's construction program and about city planning plus failure to complete individual areas in a fully rational way are also major reasons that cannot be ignored. We have failed for a long time to give sufficient attention to the full completion of living facilities in close in suburban industrial areas. Only 32 percent of employees have made their homes where they are employed while 68 percent continue to live in the downtown area. This causes traffic jams in Guangzhou during the morning and evening rush hours. In the residential tracts built in recent years on the fringes of the city, likewise only houses have been built with very few shopping areas being built. Large and small commercial centers are still concentrated in the old urban area. Reportedly, plans call for the construction of a commercial area in Guangzhou on Beijing Road. As everyone knows, Beijing Road is located in the most bustling part of Guangzhou. It is one of the areas in the city with the greatest vehicle and pedestrian density where transportation in every sector is already filled to fullest capacity. But jammed into this commercial area is to be a "colossus" made of one 53 storey and two 35 storey buildings. How is the flow of the the stream of people attracted to this site and the large volume of motorized and non-motorized vehicles to be solved? This is a problem that cannot be ignored; full consideration must be given to it during the initial period when construction is being planned. Dispersal of transportation sources and dispersal of urban population to improve the urban environment is the inevitable direction of development of large cities in the world today, and naturally this also provides beneficial lessons to be drawn on to solve Guangzhou's transportation problems.

4. A chaotic management system and antiquated management skills are also major reasons causing traffic jams in the Guangzhou urban area.

The maladies currently afflicting the transportation management system in Guangzhou are: "decentralization of government authority, many units exercising authority without dovetailing or proper coordination, each one acting independently and getting in each other's way." "Old grannies" in charge of transportation are numerous. There is the Public Security Bureau, the Transportation Bureau, the Public Utilities Bureau, the Municipal Government Administration and the Planning Bureau, plus the Transportation Safety Commission, the Communications and Transportation Directorate, the Office for the Overall Guidance of Transportation, and the Office for the Reconstitution of the City's Appearance and Environmental Sanitation---a total of more than 10 units. Were each to carry out its duties and do what it thinks best, strict enforcement of orders and prohibitions would be difficult indeed; however, the present state of management cannot be said to be satisfactory. Consequently, the founding of a centralized modern planning organization with a high degree of authority will brook no delay. The chaotic transportation management system must inevitably lead to antiquated management of transportation. Current transportation regulations are incomplete with many clauses having been formulated in the 1960's; they are no longer in keeping with the new situations and new problems that have arisen.

To turn around the serious traffic jams in Guangzhou, future efforts must be directed toward simultaneous dispersal of the cause of the jams, construction and management. Forces from all quarters has to be mobilized and action taken through scientific study, the building of roads, management of transportation, propaganda and education and improvement of the legal system to bring about comprehensive control so that Guangzhou's transportation situation will fundamentally change for the better within a not too long period of time to bring about a new situation of smooth flow, safety, high efficiency and good order.

9432
CSO:4006/523

ELECTRIFICATION OF RAILROADS PROCEEDING IN SOUTHWEST

HK270709 Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 23 May 86

[Excerpts] According to GUIYANG WANBAO, the electrification project of the Guiyang-Kunming, Hunan-Guizhou, and Sichuan-Guizhou railroads, listed as the country's priority project in the Seventh 5-Year Plan, is proceeding smoothly. The Guiyang-Kunming railroad is 639 km long.

By the end of 1985, the electrification of the 246 km of the section between Guizhou to Shuicheng (west) was completed. The electrification project of the 131.56 km between Shuicheng (west) and Fenghuangshan in the province is well under way. There are 14 stations in the project. Railroad track laying has been completed in 87 tunnels and earthwork has been completed in 6 stations so far. The electrification project of the section between Shuicheng (west) and Yunnan's Xuanwei is scheduled to be completed and put into service on 1 October 1987.

In the electrification project of the 902 km between Guiyang and Zhuzhou in the Hunan-Guizhou railroad, the section between Guiyang (south) and Kaili is about 170 km. There are 21 stations and 4 tractor substations in the section, of which 18 stations have completed technical transformation. The electrification project of the section between Guiyang and Kaili is scheduled to be completed on 1 July 1987.

In the electrification project of the 415 km between Guiyang and Chongqing of the Sichuan-Guizhou railroad, contractors have been decided for the section of the 292.6 kilometers between Guiyang and (Dongzhuhe). The No 2 railroad bureau will be responsible for the earthwork and [words indistinct] of the section between Guiyang and (Zaoshui). The bureau is now sending contractors to the site.

/9604
CSO: 4006/1064

BRIEFS

HEILONGJIANG RIVER HARNESSED--Shenyang, 26 April (XINHUA)--The Heilongjiang River, one of the three-largest river systems in China, is playing an increasing role in solving the shortage of transport capacity in northeast China. During the Seventh 5-Year Plan which just started, the state will allocated 150 million yuan to improve river navigation in the region which produces abundant petroleum, timber, coal and grain, according to Zhao Dekui, deputy director of the River Navigation Administration, today. With nearly 2,000 tributaries, the river links Heilongjiang and Jilin Provinces, and the Inner Mongolia Autonomous Region. Nearly half of the 19,000 km system allows passage of ships of at least 500 dwt. Now all 158 harbors and landing berths, including three harbors each with an annual cargo-handling capacity of more than one million tons, in the river system have been improved, and all the navigation lights electrified. Some three million tons of cargo was shipped along the river last year, as against only 210,000 tons in the early 1950s. At present, nearly 100 individuals are operating transportation services on the river, alongside the state-run transportation companies. [Text] [Beijing XINHUA in English 0648 GMT 26 Apr 86] /12640

CSO: 4020/307

XINHUA: SOVIETS HOLD DISCUSSIONS ON ECONOMIC REFORM

OW300732 Beijing XINHUA in English 0705 GMT 30 Apr 86

["Round-up: Theoretical Discussions Explore Way for Soviet Economic Reforms (by correspondent Shen Yiming)"--XINHUA headline]

[Text] Moscow, April 30 (XINHUA)--Soviet theoreticians, holding reform-oriented discussions, believe that outmoded concepts must be discarded if the country's sluggish economy is to improve.

Observers say these discussions are proceeding in an "animated" way and in a seek-truth-from-facts approach. Most participants claim that the "dogmatism, stereotype and simplism" chains need to be shattered to pave the way for reforms.

The reforms are designed to speed up economic growth, which has been sluggish since the 1970's. Most planned targets set for the Soviet Union's last three five-year-plan periods covering 1971-1985 have not been met.

The corelation between productive forces and production relations is among the issues being discussed.

1. I. Abalkin, an economist, wrote in a recent article that production relations under socialist conditions will not hold forever and cannot be perfected through the development of productive forces. The decades-old theory, now dismissed as outmoded, maintains that production relations of socialist public ownership will be refined "spontaneously" as productive forces advance.

Production relations, Abalkin said, needed continuous perfecting--as demanded by the socialist economic law--to ensure the growth of productive forces.

Abalkin said that the "most profound cause" of the obviously negative phenomena emerging in the economy between the 1970's and the early 1980's was the contradiction between expanded productive forces and production relations, which have taken shape under the extensive management system.

Other people point out that the poor economic performance has been attributed solely to increasingly unfavorable conditions for acquiring raw materials, bad weather and flaws in planning. This fact, they say, serves as proof of the failure to recognize that production relations need continual refining, which is necessary for continued growth of productive forces.

More attention is being given to commodity-money relations, regarded as the antithesis of planning because commodities and money have been rejected as foundations for capitalist economies. Most Soviet economists believe that planning and commodity-money relations are inseparable. Only when planning is considered on the basis of that relationship can the economy become truly economic operations rather than administrative ones. The economists point to the need to make the entire system of commodity-money relationship function normally.

Most people insist that systematic formulation of prices and planned prices should have positive effects on consumption of social labor, lower production costs and improved production returns. How prices are determined should be through the consumption of social necessary labor.

The 27th Congress of the Soviet Communist Party held in late February and early March called for reviving the principles of the so-called "grain tax." This policy, introduced in the early 1920's, allows farmers to have grain surpluses at their disposal after they have sold obligatory products to the state. Economists say the policy can help invigorate the interflow of commodities between urban and rural areas and enhance farmers' enthusiasm for their work.

Economists also maintain that arguments saying the family and individual contract system is a non-socialist, backward management method should be repudiated. The contract system, they say, serves as a way of making workers' income levels directly dependent on work efficiency.

However, many reform skeptics harbor "more apprehensions than hopes." Some even say any change in the economic mechanism will mean a departure from socialist principles. But these theoretical probes may thrive behind the driving force of the Soviet leadership.

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23 JUNE 1986

China Report

ECONOMIC AFFAIRS

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KEY QUESTIONS ON GENERAL SURVEY OF INDUSTRY ANSWERED

Chengdu SICHUAN RIBAO in Chinese 25 Dec 85 p 2

[Interview with Responsible Person of Sichuan's Leading Industrial Inspection Team By Unnamed Reporter: Various Tasks in Completing the General Inspection in a Timely and High-Quality Manner, the Responsible Person of Sichuan's Leading Industrial Inspection Team Responds to Related Questions"; date and place not given]

[Text] The State Council has decided that during the first quarter of 1986 the second national general inspection of industry will be carried out. Recently, a reporter from this newspaper interviewed the responsible person of Sichuan's leading industrial inspection team. The following are his responses to the reporter's questions.

[Question] What is the purpose and significance of this general inspection of industry?

[Answer] This second national general inspection of industry will be a significant survey of the national condition and national power. It is an extremely important basis for the construction of socialist modernization. At the present time, China has entered into a new period of socialist construction. In order to formulate and carry out social and economic guiding principles, policies, and plans, we need to get a grasp on comprehensive and detailed data and economic information so we can have a clear understanding of the situation and make correct policy decisions. Doing a good job in this general inspection of industry will be extremely significant in ensuring we proceed from China's actual condition in drawing up long-term plans, promoting restructuring of the economic system, carrying out technology reform of enterprises in a planned and concentrated manner, raising the management levels of industry enterprises overall and improving the quality of enterprises, increasing the pace of industrial modernization, strengthening overall economic control, and in realizing the grand objectives formulated by the 12th CPC Congress.

[Question] What is the basic task for this general inspection of industry?

[Answer] This national inspection of industry, in general has two tasks: The first will be in looking at the overall economy find out the basic situation of China's industry through a general inspection. It will survey the national situation and national power, and supply basic industrial economic data to leading economic departments that is fairly comprehensive, detailed, and systematic. In addition to reporting on the overall picture of production, supply, sales, personnel, finances, and materials, it will also highlight four key points, namely, the internal structure of industry, the state of technology industrial equipment is in, the quality of workers, and economic results. The second task will be to look at the microeconomy, find out the basic situation of each industrial enterprise through the general inspection; to strengthen the statistical, recordkeeping, and economic accounting work of enterprises; survey the situation and power of factories; and on the basis of learning about resources, tap latent powers, renovate, transform, and establish sound economic responsibility systems within enterprises; and further improve the management level of enterprises.

[Question] What will the general inspection be targeted at and consist of?

[Answer] This general inspection of industry will be targeted at all enterprise, including state-owned independent accounting enterprises; collectively owned enterprises (township and enterprises); dependent accounting units, village-operated enterprises, and individual town and township enterprises; and joint enterprises with Chinese and foreign funds and cooperation, and foreign-founded enterprises. This inspection will consist of many things, including the basic conditions of enterprises, such as the production, marketing, and storage of industrial products; new products and product quality; production equipment and capacity of industry; technical and economic goals of industry; consumption of energy and raw materials; labor wages; finances; industrial product prices; development and utilization of mineral resources; and technical development of enterprises in industry. By carrying out scientific regulation and quantity determination for processing and qualitative analysis research based on these things, we can basically satisfy the needs of the state and the needs of various areas responsible departments for a complete picture of the industrial economy and of formulating principles, policies, and plans along with their needs concerning industrial enterprises organization, production, management, and administration.

[Question] How can this general inspection of industry be done in a timely and high-quality manner?

[Answer] This general inspection will be broad in scope, wide ranging, cover a lot of ground, and have some heavy requirements; it will be a project that has a fairly complicated system, a highly technical nature, and one which will be extremely difficult. Therefore, when carrying out this work, we ask that leaders at all levels and the departments concerned take the general inspection very seriously, that they raise awareness of the necessity and importance of the inspection. To ensure the inspection is conducted smoothly, they should earnestly strengthen organizational leadership, replenish the ranks of inspectors, and provide funds for the inspection. Second, they should firmly stress and guarantee the quality of the inspection. This requires that regions, departments, and enterprises do a concientious job of filling out and checking the survey forms, maintain overall control of the survey, and do a good job of scientificaly arranging and compiling the data from the survey. They are to seek truth from facts from beginning to end so the actual situation is reflected. They are also required to pay attention to the work of analytical research and calculations of the survey data. Third, leaders at all levels and of related departments are to work together, be closely coordinated, make good use of time, inspect all preparation work and bring work that does not meet requirements up to standard. This general survey should set up work responsibility systems at each level to guarantee the various tasks of the survey are completed in a timely and high-quality manner.

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ECONOMIC MANAGEMENT

JOURNAL ON CONTROLLING SCALE OF INVESTMENT

HK290911 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 86 pp 18-21

[Article by Luo Jingfen [5012 4737 1164] and Hou Shuming [0186 2885 2494]: "Control the Scale and Adjust the Structure of Investment"--edited by Liu Jichang [0491 0366 2490]]

[Text] In the reform of the economic structure, due to the expansion of the financial power of the regions and enterprises and strengthening the position and role of the banks in the national economy, investments in fixed assets have shifted from the single channel of appropriations from the state budget in the past to many channels such as extra-budget bank loans, self-raised funds and so forth. In recent years, the scale of bank loans and self-raised funds has increased rather rapidly. In 1984, the total sum of fixed asset investments financed from these two sources was equivalent to 140 percent of the state-budgeted investments. The reason for the excessively large scale of the fixed asset investments in the fourth quarter of 1984 and the year 1985 was principally due to the too-rapid increase in bank loans and self-raised investment funds. From now on, following the further development of the reform of the economic structure, the proportion of bank loans and self-raised funds in the scale of fixed asset investments will be further enlarged. Hence, the key to strengthening the control of fixed asset investments lies in stepping up the control over outside-budget investments (principally bank loans and self-raised investment funds). Stepping up the control in this connection not only requires rigidly controlling the scale of investment and having the scale controlled within the state plan but also guides the direction of the investments, encourages more of the extra-budget funds to be invested in the "short-line" sectors such as energy, communications, raw materials and so forth, and restricts the blind development of certain processing industries. The strict control of the investment scale is not only urgent business to be done in the first 2 years of the seventh 5-year plan period but also constitutes a long-term task which cannot be relaxed at any time. However, if the structure of investment is irrational, then not only will the coordinated development of the national economy be impeded but control of the investment scale will also be difficult. This is because in the event of an excessive investment of extra-budget funds in the processing industries, extra pressure will be applied on the energy, communications and raw materials sectors, demanding more investments in the latter fields and thereby bringing about the further inflation of the whole investment scale. Therefore, at present, the key to controlling the scale of investments and ensuring and providing for reserve strength for the development of the economy lies in rationally adjusting the structure of investment.

In order to step up the control of extra-budget investments, first of all, it is necessary to strengthen planned management and strive to organize construction work within a rational construction period. Hence, it is important that we firmly liquidate, or put in order, the projects still in construction and rigidly control new projects. The funds, materials, and equipment needed by newly-rising large and medium-sized projects should first be arranged and ascertained before the inclusion of the projects in the construction plan and they must be supplied in full each year within a rational construction period. If this cannot be done, then the projects can only be considered as reserve projects. In addition to projects in the reserve list, it is also necessary to grasp a number of projects well and carry out pre-stage work on them. To ensure that the projects under construction are technologically advanced, economically rational, estimated correctly and with precision, and that the contracting is unquestionable to the very end, all new projects should be first subjected to assessment and examination by relevant advisory organs before their submission for approval to be included in the annual plan. Prior to a project formally starting construction, it must first present to the relevant department a report on starting construction work for approval.

For the purpose of stepping up the control of non-budgeted investments, we should also pay close attention to employing economic measures and put into full play the regulatory functions of economic levers.

I. A Firm Grasp of the Exact Degree of Looseness or Tightness of the Money Market Is an Important Economic Regulatory Measure in Stepping Up Macro-control Over the Scale of Loans

Up to the present, a situation of the scale of capital construction loans having increased too rapidly and of an excessive issuance of banknotes still exists. Hence, we should continue to appropriately tighten the money market and rigidly control the scale of loans.

It is necessary to grant loans in accordance with the state's credit and loan plan and capital construction plan. Under the state's capital construction plan, the projects arranged for loans are mostly the state's major construction projects in the sectors of energy, communications, and raw materials. These projects are all "short-line" projects which urgently await development but which have so far restricted and impeded the development of the national economy. On their part, the banks, taking into consideration the situation as a whole, should provide the loans to them according to the state plan. Prior to the prices having been generally put in order, the parties concerned may not have the ability to repay these loans promptly. Thus, in order to adjust the investment structure, banks should charge differential interest rates on their loans to different industries and trades. Lower interest rates should be charged on construction projects in the sectors of energy, communications, and raw materials, whereas higher interest rates should be charged on projects of processing industries whose development should be restricted. Alternatively, on loans for construction projects in the sectors of energy, communications, and raw materials, the finance departments or banks may have the interest so deducted, and in the event of the parties concerned being really unable to repay loans, appropriations may be made in lieu of loans.

We should sternly control non-budgeted loans. Granting of loans outside the state plan is an important cause for the excessively large scale of loans for fixed asset investments. Effective measures should be enforced to have it restricted. Regarding regional leadership circles at various levels who, taking into consideration only partial or local interests, have forced banks to grant non-budgeted loans, such practices should be dealt with in accordance with the stipulations of the "Regulations Covering Loan Agreements" promulgated in 1985 by the State Council. These regulations have definitely provided as follows: Organization units and individuals shall not compel banks to grant loans; otherwise, the administrative responsibility and economic responsibility of those directly responsible shall be investigated and affixed. In the case of serious offenses, criminal responsibility shall be investigated and affixed by the judicial organs. In the event of banks at grassroots level granting non-budgeted loans of their own accord, banks at the higher level shall be responsible for promptly reclaiming the loan funds and shall investigate and affix the administrative and economic responsibilities of the parties concerned. If the loan funds have already been used in full, it will be necessary for the amount of the loan quota in the succeeding year of the bank concerned to be correspondingly reduced. Fixed asset loans granted by trust departments of trust and investment companies and specialized banks generally belong to the category of non-budgeted loans. It is necessary that these trust organs be earnestly checked up and consolidated. Only after consolidation and upon being found to be in conformity with the necessary conditions, and also subject to approval by the People's Bank, shall these trust organs be allowed to grant fixed asset loans which are included in the state plan. Regarding cases in which bank loans are used on projects purported to be self-financed and cases in which loans for circulating funds are used to finance fixed asset investments, the banks are empowered to reclaim the loans; if the loans have already been partially used, then on such parts heavy fines shall be made or payment of double the interest rate shall be required. Since currently the interest rate on loans for circulating funds is on the low side, and for the sake of discouraging the enterprises from employing loans for circulating funds to finance fixed asset investments, we should consider appropriately raising the interest rate on loans for circulating funds and resorting to use of differential interest rates.

We should also improve the method of repayment of principal and interest payment on loans. The existing method is that after a project has been completed and put into operation, the before-tax profits are used to meet the principal and interest payments on the loans. This in effect amounts to the finance department taking up over 50 percent of the burden and the effects on the economic benefits of the enterprise are not large at all. It is suggested that in the case of state-owned enterprises principal repayment be made from the before-tax profits whereas interest payments be made from the enterprise's retained profits. Since at present a number of the enterprises are unable to take up this burden, the method should be tried out first among those enterprises which are in the processing industries and have more profit retentions. When and as in the future the profit retentions of the enterprises are increased, then a transition may be gradually made to the enterprises meeting the interest payments on loan projects in general from among their own profit retentions. This will directly link together interest payments with the enterprise's benefits and will force the enterprises to calculate more meticulously when applying for loans, and to highly regard the importance of economic benefits when making use of the loan funds. This will also perform the function of curtailing the application for loans for projects with rather poor economic benefits.

We should consider appropriately raising the rediscount rate of the Central Bank. At present, the interest rate charged by the Central Bank on rediscounting loans from the specialized banks is too low. The monthly rate is only 0.3 percent whereas the specialized banks charge the enterprises interest of 0.66 percent 3-year term loans, a monthly interest of 0.72 percent, 5-year term loans, a monthly interest of 0.78 percent, 10-year term loans, a monthly interest of 0.84 percent; and loans of over 10 years, a monthly interest of 0.9 percent. In practice, the repayment period on loans for technological transformation projects is usually 3 to 5 years, and that on loans for capital construction projects is over 5 years. If an average of 5 years is taken as the loan repayment period, the rediscount interest rate charged by the Central Bank on the specialized banks is equivalent to only 50 percent of the interest rate charged by specialized banks on 5-year fixed asset loans. This is also rather low when compared with the major capitalist countries in the Western world. In the latter countries, the ratio between the rediscount interest rate of the Central Bank and the interest rates charged by commercial banks on loans of favorable terms is as follows: U.S.A., 76.2 percent; Canada, 88.5 percent; Japan, 86.93 percent; England, 89.9 percent, France, 79.2 percent; and West Germany, 58.1 percent. If the rediscount interest rate of the Central Bank os too low, the specialized banks are discouraged from exerting efforts to obtain deposits but are encouraged to borrow money from the Central Bank, as the more such loans made the greater are the profits. In turn, this is disadvantageous to exercising control over loan-granting by the specialized banks (including the scale of loans for fixed asset investments). It can be seen that if we raise the rediscount interest rate to a level which makes the specialized banks reap only a small profit, or no profit at all, from borrowing money for the purpose of granting loans, then the scheme can play a definite role in controlling the scale of investment. After raising the interest rate on the Central Bank's rediscounted loans, we should follow up with appropriately raising the interest rate on deposits made by the specialized banks to the Central Bank (the current rate is a monthly interest rate of 0.36 percent), so as to attract the specialized banks to deposit more of their surplus funds with the Central Bank. As for the interest rate on the reserve funds for deposits prescribed by law, it should not be raised at all; on the contrary, it should be gradually lowered to the point of the deposits bearing no interest at all.

In order to control the scale of bank loans, in regard to capital construction loan projects, the construction unit concerned should possess self-retained funds amounting to 30 percent. Following completion of the project and its operation, 30 percent of the needed circulating funds should be made up of self-retained funds of the construction unit, so as to shift briskly from the existing practice of completely relying on bank loans to serve as circulating funds.

II. Stepping Up the Control and Guidance Over Funds Outside the State Budget and Making Investments With Self-raised Funds Maintain a Rational Scale

Funds outside the realm of the state budget constitute the main source of investments with self-raised funds. In recent years, with the expansion of the financial power of the regions, departments, and particularly the enterprises, funds lying outside the realm of the state budget have increased rapidly. Naturally, this is beneficial to arousing the enthusiasm of the regions, departments and enterprises for invigorating the economy and developing production and also beneficial to strengthening the capability of the enterprises themselves to undertake self-transformation and self-development. However, in the employment of this portion of funds, we should not adopt a lax policy, or allow it to follow its own course, or give up the control over it altogether. At the same time, it should not be controlled summarily, with each and every project being subjected to examination and approval. Rather, we should follow a smoothing-out guideline and accord it with correct guidance: 1) Guiding this portion of funds against being used excessively on investment in fixed assets and using and appropriate portion of the funds to increase and supplement the circulation funds of the enterprises; and 2) guiding the portion to be used on fixed asset investments to the track of technological transformation and capital construction in the sectors of energy, communications, and raw materials which are in short supply and restricting the blind development of certain processing industries.

Hence, it is necessary to adopt certain economic regulatory measures to ensure the meeting of the demands of the state plan.

In regard to enterprises engaged in the processing industries which command high prices, are highly profitable, and usually enjoy large after-tax profit retentions, their share in subscribing to the sinking funds for major construction in the energy and communications sectors should be further increased. In addition, energy and communications construction funds should be collected from the urban and rural collective enterprises, thereby appropriately increasing the state's major construction funds and restraining the blind expansion of the sources of funds which can enable the processing industries to raise their own investment funds.

We should also adequately raise the proportion of the enterprises' self-retained circulating funds. At present, the production development funds of the enterprises are basically used on fixed asset investments whereas nearly the whole of their circulating funds depends on bank loans. Thus, on the one hand, the scale of fixed asset investments is enlarged while, on the other hand, the scale of loans for circulating funds from the banks is likewise enlarged. To solve this problem, we should require those enterprises which manifest a low ratio of self-retained circulating funds to use a definite ratio (for example, not lower than 30 percent) of the production development funds to supplement their circulating funds. If an enterprise is found to have violated this ruling, the banks may refuse to grant any loans to it to serve as circulating funds. In the case of projects which the processing industries have newly established from their own self-raised investments, the circulating funds they need when starting operations should wholly be derived from their own self-retained funds. The banks will not grant any loans for these purposes. In addition, these funds, together with self-raised investment funds, should both be deposited with the banks in advance.

In 1985, the interest rates on bank deposits and on bank loans were raised on two separate occasions but the interest rate on fixed deposits of enterprises was not raised at all, although it was already on the low side (the monthly interest on 1-year fixed deposits was 0.3 percent). Compared with the residents' savings deposits (on 1-year term savings deposits monthly interest is 0.6 percent), and interest rates on loans (monthly interest on 1-year term fixed asset loans and monthly interest on circulating fund loans are both at 0.66 percent), the difference is very great and is disadvantageous to stirring up the enthusiasm of the enterprise units for making fixed deposits. Therefore, it is suggested that the interest rate on fixed deposits of the enterprises should be appropriately raised and that the grading of the interest rates be increased (in addition to existing long-term deposits, short-term deposits up to the period of 1 year may be added). This can encourage the enterprises to deposit with the banks their funds which they do not use for short durations within a year, thus enabling the state to make use of them in various directions and to meet the macroeconomic needs.

It is also suggested that various methods be adopted, such as joint investment by central departments with the localities or with the enterprises, issuance and floating of construction bonds, and so forth, to invest a portion of the funds that are outside the state budget in the construction of projects in the sectors of energy, communications, raw materials and so forth. Following the completion and putting into operation of the jointly-invested enterprises, the enterprises, on the one hand, can enjoy the profits earned in accordance with their investment ratio and, on the other hand, receive the benefits of distribution of the products made. Units and enterprises purchasing large amounts of construction bonds may also receive principal-repayment and interest-payment in return or, in accordance with their needs, be given the enterprises' products as compensation.

We must fully allow the construction tax to play the role of keeping the investment scale under control and to guide the direction of the investments. The current rate of the construction tax is uniformly fixed at 10 percent. This may play a certain role in restricting the scale of investment with self-raised funds, but its role in adjusting the structure of investment is not large at all. We suggest that the construction tax be raised appropriately and also suggest the institution of a differential tax rate. On renovation and transformation projects and on capital construction projects in the energy, communications and raw materials sectors, the existing construction tax rate should remain unchanged; as for construction projects in the processing industries, the tax rate should, following different conditions, be raised to 20 to 30 percent. To ensure the prompt and full collection of the construction tax, the existing method of collecting the tax after completion of the project should be changed to collecting the tax as soon as the investment plan has been approved, and the relevant departments should, only after viewing the tax receipts, proceed to examine, assess, and approve the commencement of construction work.

At present, there are many fund-raising projects which have paid out compensation in large amounts and have stimulated certain units and individuals to withdraw large amounts of funds from the banks and use bank loans to take further part in raising funds for projects, thus not only serving to expand the scale of investment but also increasing the consumption funds. For this reason, it is necessary to suitably control those projects which derive their funds from improper or undesirable channels. The regions must incorporate the scale of construction projects from raising of funds into the general scale of their own investments from self-raised funds. In addition, they should collect the construction tax at the above-mentioned tax rates, from the construction projects financed by the raising of funds.

We must enforce the regulation that all self-raised investment funds should be deposited in advance and under a special name in the construction bank, and that only after half a year has passed, and only following approval, can the funds be put to use. We must change the current method of depositing the funds on 30 June and forthwith withdrawing them for use on 1 July. Violations of this regulation shall be punished by confiscation of half of the funds, or even the whole amount of the funds if the gravity of the situation warrants. The confiscated funds shall be delivered to the state.

III. Providing Correct Guidance to Investments by Collectively-Owned Units and Individuals

At present, we are enforcing planned management and control over the fixed asset investments of units under the system of ownership by the whole people and have left out of the plan any control over fixed asset investments by collectives and individuals, allowing them to drift and to take their own course. But following the development of the reform of the economic structure, investments by collectives and individuals have increased rapidly and at present this category of investments has grown to become about one-third of the gross scale of fixed asset investments of the entire economic structure. Failure to provide any control and guidance over such large investments not only may bring about much blind construction and extravagance, but also may aggravate the state of stringency in the supply of construction materials and raw materials, cause a rise in commodity prices, and adversely affect the scheduled completion of the construction projects within the plan of the system of ownership by the whole people.

So as to carry out macro-management and guidance over investments by collectives and individuals, it is necessary to compile a plan of fixed asset investments of the whole society. Also, we should map out the targets for control of the scale of fixed asset investments under the system of collective ownership by provinces, municipalities, and districts and map out the guidance scale of investments in buildings by individuals. Both of the above should be controlled under the plan. At the same time, it is necessary to make full use of economic levers and to strengthen indirect control and guidance.

At present, in investments under the system of ownership by collectives in the cities and the countryside, the scale of investment in township enterprises has developed too rapidly, far exceeding the capacity of the available funds and material resources. In the production of many products, the technological level is low, the materials consumption rate is high, the quality of the products is poor, and the socio-economic effects are below standard. The main reasons for the too-rapid development may be the tax burden being too light and credit and loan control being too lenient. Due to too much of the power to reduce, exempt, assess and examine taxes having been delegated to the lower levels (delegated to counties of the first-grade) and due to many of the comrades lacking a concept or understanding of the statutes on taxation, many of the taxes which should not have been reduced or exempted have been so reduced or exempted. Many localities have failed to enforce the 8-grade excess and cumulative tax rates prescribed by the state (highest tax rate is 55 percent) but collected the taxes according to the 20 percent proportionate rate. While the state originally prescribed that in the event of newly-formed township enterprises meeting with difficulties, they may be exempted from payment of the income tax for a year, many localities have ruled that all new enterprises are exempted from the tax payment for a year. In some cases, enterprises have been exempted from tax payment for 2 to 3 years and in some other cases, enterprises, upon the expiry of the tax-exemption period, have only to change their names to continue to enjoy anew the tax-exemption privileges. Also, under the present new conditions, the existing ruling exempting products whose production and marketing directly serve agriculture from payment of the products tax and the value-increment tax is not rational. At the same time, the state does not collect from the township enterprises the energy and communications major construction funds (if collected, the annual yield from this source alone can amount to 2 billion yuan). In reality, the income tax paid by the township enterprises to the state is lower not only than that of the state-run enterprises but also than that of collective enterprises in the cities. In 1984, the tax rate actually borne by the township enterprises was 12.3 percent whereas in the cities the collective enterprises under the second light industry system paid a tax burden of 30 percent. Calculated on the basis of each 100 yuan of product value, the whole tax burden paid to the state was found to be: state-run enterprises, 16.73 yuan; city and countryside collectively-owned enterprises, 9.65 yuan; and township enterprises, only 4.06 yuan. On the side of credit and loans, the majority of the township enterprises are repaying their technological loans from the profits before payment of the income tax. In some localities they have gone so far as to repay even their capital construction loans from the before-tax profits. This not only has reduced the state's revenue from the income tax but also has served as a major cause for loss of control over the loans to township enterprises. For the purposes of facilitating the stable and healthy development of the township enterprises, we should suitably retract the delegation of the power to exempt or reduce payment of taxes and also abolish the ruling of reducing or exempting new township enterprises from tax payments, replacing it with the requirement that they should pay taxes according to law from the date of their enteringinto production or starting business. In the case of certain impoverished localities and enterprises really in difficulties, they should individually apply to the relevant authorities for tax reduction or exemption and can only do so upon approval. Township enterprises must abide by the tax laws and pay the income tax according to the 8-grade excess and cumulative tax rates; those failing to do so should be subjected to fines by the tax organs. Likewise, we should revise the ruling that products which directly serve agriculture both in production and marketing can all enjoy the privileges of reduction or exemption from payment of the products tax and value-increment tax. The revision should aim at making differential treatment for individual cases. Building up township enterprises should primarily depend on self-owned funds and the banks should keep loans strictly under control. They should reject granting any loans to projects which do not conform with the macroeconomic requirements or which turn out poor economic effects, or whose self-owned funds are not up to the stipulated ratio. On the other hand, they should be more lenient in loan granting, and give the necessary support, to projects related to mining, construction materials, communications, processing of agricultural and sideline products, and coordination of urban industries. Township enterprises should carry out the state's unified regulations, repay loans from after-tax profit retentions and refrain from repaying loans from before-tax profits.

Investments by individuals. Due to the existing state of stringency in the money market, we believe that we should not grant any loans for fixed asset investment by individuals.

Be it a construction project by the whole people, or a collective, or an individual, we should levy the land tax on it so as to practice economy in land use and at the same time to increase major construction funds of the state as well as to control the scale of the fixed asset investments of whole society.

IV. Full Employment of Legal Measures to Ensure the Economic Measures and the Necessary Administrative Measures to Earnestly Bring Their Role into Full Play

In order to control the scale of investments, it is necessary to earnestly strengthen the legal system. Currently, the first problem that must be solved is the non-adherence to legal codes. We should study the formulation of an "investment law." This law should clearly prescribe that the responsible persons or persons in charge of relevant organs should be dealt with according to law for the following offenses: making investments which, without the approval of the State Council, exceed the scale of investments prescribed for self-raised funds or prescribed for bank loans; investments in which the local governments compel the banks to grant extra budget loans or in which the banks themselves grant extra-budget loans; handling investments in projects at random and without approval and investments in which the approving bodies have failed to perform their duties strictly, thereby causing serious losses; investments in which the parties concerned refused to deposit the funds into the construction bank or refused to pay the construction tax, and so on.

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ECONOMIC MANAGEMENT

BEIJING ENTERPRISES IMPORT MORE TECHNOLOGY

OW170144 Beijing XINHUA in English 0036 GMT 17 May 86

[Text] Beijing, May 17 (XINHUA)--Beijing Enterprises are becoming convinced that importing technology is the quickest way to head for the world market.

According to the Beijing Economic Committee, 500 enterprises, about one eighth of the total, have signed nearly 1,200 technology-import contracts, worth U.S. $1.15 billion, for the food, textile, electronics, machinery, construction materials, medicine, chemical and metallurgical industries.

"The open policy allows us to have a look at our counterparts abroad and find out where we lag behind," said Qi Xianliang, director of the Beijing glass laboratory instrument plant, which started to seek technology from abroad comparatively early. "Only then did we know how foolish we were to be satisfied with our leading position within China."

The plant signed a 10-year contract worth U.S. $700,000 with a Japanese enterprise in 1977. "Our profit and output value have doubled in the past 6 years, and our senior technicians have been trained," he said. And its contacts have been expanded to America, France, Federal Germany, Britain and Belgium.

Before the open policy was adopted in 1979, the equipment of most enterprises had been domestically made in the 1950's, some were even products of the 1930's. Industry managers were ignorant about the outside world.

Things are changing now. Many enterprises have sent staff members abroad to inspect foreign enterprises and study, and at the same time, foreign experts have been invited to China.

Sun Weizhi, director of the Beijing Aluminum Materials Plant, was sceptical about a deal to import a production line from Japan in 1982. But as soon as the production line went into operation, he realized that importing technology is the most efficient and economical way to catch up with the developed countries. He admitted that it would have taken 10 years for his plant to develop a similar production line.

However, "spending hard currency is not the ultimate purpose, but taking a place in the international market," Sun said.

The competition is fierce as more and more enterprises have fixed their eyes on exports, which have increased in recent years. In 1985 Beijing exported goods worth U.S. $620 million; some 63 percent of this was represented by manufacturers, as against 50.8 percent in 1978.

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ECONOMIC MANAGEMENT

INDUSTRY OFFICIAL DISCUSSES STEPS TO HELP FREE MARKETS

HK270444 Beijing CHINA DAILY in English 27 May 86 p 1

[By staff reporter Guo Zhongshi]

[Text] Free markets all over the country continued to show skyrocketing growth in size and sales in the first 3 months of this year, creating challenging new tasks for the State Administration of Industry and Commerce.

An official of the administration told CHINA DAILY that it nonetheless is determined to help them continue to grow.

Free market sales in the first quarter were 48 per cent greater than in the same period last year. The growth rate that year had been the highest since the founding of the People's Republic.

Last year, total sales in free markets topped 63.2 billion yuan (about $20 billion), a 38.38 per cent rise over 1984.

China has more than 61,000 free markets. They provide a large portion of food in urban and rural areas, said Gong Xiaolan, deputy director of the policy research department of the administration.

In many places, sales of non-staple food in free markets exceed that of state-owned retail stores, Gong said. In Hebei Province, free markets now sell 81 per cent of mutton, 57 per cent of beef, 68 per cent of eggs and 66 per cent of vegetables.

Gong, who is also a member of the council of the Consumer's Association of China, said, "Free market trading has become an important channel of commodity distribution."

He said the thriving market has brought growth in other forms of private industrial and commercial enterprises.

"Transportation, construction and information companies are developing fast in particular," he said.

By the end of last year, the number of registered private enterprises reached 11.71 million, 25.9 per cent more than in 1984. They employed 17.66 million people in cities and townships, a 35.5 per cent increase over 1984, Gong said.

Their business turnover totalled more than 75 billion yuan (about $25 billion), a 63.1 per cent increase.

He said that his administration had been acting like an agent for private businesses with its responsibilities ranging from physical protection to family planning.

Despite some opposition to free markets and private enterprises on the ground that they look bad, make noise, slow traffic and cause sanitation problems, the administration is determined to help free markets and private businesses, he said.

"We will pick the right place for free markets, supply private businessmen with raw materials, protect them from bad treatment and urge them to keep their places clean, but we will never do anything to stop their operation," he said.

"In order to get support for private businesses from the whole society, we must strengthen controls over them and do our best to reduce such problems as speculation, smuggling, cheating and other illegal activities [words indistinct].

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ECONOMIC MANAGEMENT

NUMBER OF MEDIUM, SMALL CITIES GROWS RAPIDLY

OW260922 Beijing XINHUA in English 0729 GMT 26 May 86

[Text] Beijing, May 26 (XINHUA)--China now has more than 200 small- and medium-sized cities each with a population of less than half a million, a Chinese official said at an international seminar here today.

According to statistics, the number of cities in China grew from 69 in 1949 to 300 in 1984, and annual output value of city industrial production has now accounted for at least 86 percent of the national total.

Wu Peilun, who is in charge of the reform experiment department of the state commission for restructuring the economic system, gave a general account of China's urban development to the participants attending the seminar on development experience in developing countries in the ESCAP (The United Nations Economic and Social Commission for Asia and the Pacific) region.

From the very first day the government of the People's Republic took over the cities, he said, it has emphasized the development of economy and other undertakings. In urban development, he noted, China has followed the principle of "controlling the size of big cities, appropriate development of medium-sized cities and vigorously developing small cities and towns," which helped to bring about prosperity and vigor of the small and medium-sized cities.

A striking feature of the emergence of these small and medium-sized cities is that they involved much less investment, Wu said. Taking Changzhou in Jiangsu Province for example, he continued, state appropriations to this city in the past three decades were less than one billion yuan, but the income handed over to the state by the city in the same period was as much as 7.87 billion yuan.

"High economic performance is the basic character of these cities," he stated.

At present, Wu said, small- and medium-sized cities in China are entering a period of rapid development, since the growth of commodity economy in the countryside is providing a much larger market and raw material base for industries in these cities, and the current urban economic reform has expanded the decision-making power of the cities and enterprises, thus imbuing vitality into city development.

In addition, more and more such cities have opened themselves to the outside world and are striving for modernization through importing foreign technology and speeding up construction of their infrastructure.

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ECONOMIC MANAGEMENT

EXPANSION PLANNED FOR ECONOMIC INFORMATION NETWORK

HK280440 Beijing CHINA DAILY in English 28 May 86 p 1

[By staff reporter Guo Liyu]

[Text] Zhengzhou--China's economic information network is set to further expand and become more systematic in the near future, according to a report delivered to a national conference here yesterday.

Feng Jixin, director of the National Economic Information Network Council, said that although less than 2 years old, the network was proving vital to the country's economic development.

Before its inception, Feng said, "There were very few organizations devoted to information gathering, analysis and dissemination."

Feng said that during the past 2 years, the network had achieved its goal of serving the country's modernization programme by making scientific use of information resources. It has also widened its contacts with inland areas and regions. The network has grown from covering 50 cities in July, 1984 to its present 203 members in various areas, cities and departments.

Most of the network's local members have taken responsibility for providing local decision-makers with accurate, timely information and statistical material. Consultancy was also part of their work scope, Feng said.

In addition, a national economic information "paper chain" was established last June, with the emergency of seven local papers, including CAPITAL INFORMATION, CENTRAL CHINA INFORMATION HERALD and GUANGDONG-HONG KONG INFORMATION.

The first session of the National Economic Information Network Conference was held in July, 1984, in Harbin. The 5-day Zhengzhou conference has brought 250 participants together.

Seven pioneer cities--Tianjin, Harbin, Wuhan, Chongqing, Hohhot, Dandong and Jilin--were first to realize the urgent need to better use information resources to serve economic growth.

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ECONOMIC MANAGEMENT

REVIEW OF ANHUI'S DEVELOPING INDUSTRY

Hefei ANHUI RIBAO in Chinese 27 Dec 85 p 1

[Article by Ni Zhimin [0242 1807 2404]: "Sound Reform, Coordinated Development of Production, a Review of the Province's Industry in 1985"]

[Text] Anhui's industry front is steadily and vigorously striding into 1986. In the past year, there has been sound reform work on all fronts of industry, and production has had sustained, steady, and coordinated development. The "such a good situation has not been seen in many years" is not to be considered as excessive.

This year the main feature of Anhui's industrial production has certainly been its rapid rate of increase. The G-V10 surpassed the critical level of 20 billion yuan, totaling 22.2 billion yuan, an increase of 20 percent over last year, which resulted in the emergence of a new situation where "light industry is larger than heavy industry, there being more collectively owned enterprises than state-owned industries, and having more locally run industries than municipal industries." The second feature has been the industrial structure becoming more rational. The proportion of light industry has been steadily climbing and the ratio between light and heavy industry has been further coordinated. The development needs of the raw and semifinished materials industry, the energy resources industry, and the processing industry have basically been met. The third feature has been the marked increase in economic benefits, the increase in profits exceeding the increase in output value with an estimated increase in industrial output value of 15 percent, a profit increase of 22 percent, and a 17-percent increase in profits turned over to the state. Due to improved results from investment there has been a large increase in financial return, breaking through the condition of Anhui's finances being in a state of fluctuation during the last few years. The income for the whole year was over 20 percent more than the previous year, reaching a total of 3 billion yuan.

The successes gained in Anhui's industry development in 1985 were the best in the entire nation during the unfolding of the economic system reform. Following the direction of opening up to the outside and the market mechanism there was a succession of reforms made in the price and wage systems which represented a serious test for Anhui's industrial enterprise beginning in 1985. In order to meet this challenge and to also make achievements in development, the provincial committee, provincial government, and the CPC Central Committee should lead by the policies and principles of the reform of the municipal economic system. These organizations should not miss opportunities to "invigorate large and medium-sized enterprises, expand small enterprises, and energetically develop village and town enterprises" by formulating policies that do these things and to use the increased independence of enterprises as a key to spurring on the entire province to have "a satisfied life." The rapid progress made in Anhui's industrial production during 1985 proves that the reforms carried out in our cities are correct.

In order to stimulate the vitality of this basic economic "cell" in enterprise, Anhui put forward the slogan "grasp reform, increase vitality" early in the year and published articles concerning "relaxation of policies" and "stimulation of industry." Prior to 1985 there were fewer than 100 enterprises using the factory director (manager) responsibility system, but during 1985 it spread throughout the province and now there are 1,640 enterprises utilizing the project director (manager) responsibility system. The 893 state-run enterprises account for more than one-half of all enterprises. The factory director (management) responsibility system has targeted management as its key point. This has allowed the factory director to do a better job of production control and to have more jurisdiction over administrative management, which has effectively spurred on enterprises to change to a new style. On the basis of implementing the factory director responsibility system, Anhui's industrial front has also deeply affected the contract management of enterprises. Successful reform experiences in agriculture were used in planning small accounting units for some large and medium enterprises and in establishing a new internal accounting system for enterprises, thereby more closely integrating the workers responsibilities, rights, and benefits. In enterprises throughout the province there emerged a state of giving consideration to the three benefits of "more income for the state, enterprises retaining more, and more gain for the individual." In the process of carrying out the contract responsibility system the responsible departments aimed at the fear of difficulty some enterprises have. They issued the "Notice Concerning Overall Management of Contracts and Improvement of the Internal Economic Responsibility System of Enterprises," this strengthened and developed the contract management and internal economic responsibility system of enterprise. At the present time, 60 percent of enterprises in Anhui have implemented various forms of the contract management responsibility system. In some small enterprises new forms of collective and individual contracts have also emerged. These various reforms in the internal structure of enterprise have greatly aroused the enthusiasm of the broad numbers of producers and resulted in improved quality.

During the process of stimulating vitality in enterprises, Anhui's responsible departments at all levels continued to carry out reform of equiment, realistically change workstyle, and change from controlling to serving. Provincial departments and bureaus have actively created their own conditions, reorganized companies, and put enterprises under lower administrative levels. Of the 125 enterprises subordinate to 25 provincial departments, 55 were first put under lower administration levels. Simpler administration and relaxed control has increased the conciousness of enterprise producers of socialist commodities.

While reform was being pushed forward, a new condition also emerged in the economic ties between enterprises. This year, Anhui has established economic cooperative relationships with 27 provinces and municipalities, and with more than 80 cities, over 1,500 jointly operated projects have been carried out. Through mutual cooperation they have "used the large to help the small," and "used the strong to help the weak," developed new industries, saved some old enterprises, given impetus to village and town enterprise, and increased Anhui's economic power. With these things alone, the province can increase its output value this year by 200 million yuan.

Ensuring that in enterprise reform there is a relaxation of material production represents another problem to be solved by Anhui's responsible economic departments. During this year, Anhui has further clarified policies on energy construction being centered on local coal mines and power plants. This year the output of local coal mines could reach 5.4 million tons, an increase of 2 million tons over last year. Total electricity generation could exceed 13 billion kWh with an increase in electricity consumption over last year of 1 billion kWh. The development of local energy facilities has relaxed the tense situation of shortages in coal and electricity supply that existed in Anhui. Inflated prices for energy, and for raw and processed material has been a restrictive factor encountered in Anhui's development of industrial enterprise. Faced with this severe problem, related departments in the province have energetically supported technical reform and energy conservation in enterprises. While working under the condition of tight finances, arrangements were made for 684 technical reform projects that needed total funds amounting to 690 million yuan. Through technical reform, Anhui's state of having aging technology in industrial enterprises was changed and their capacity to deal with emergencies was raised, which guaranteed the smooth implementation of internal reform.

In 1985, we led the reform by the "ox's halter" vigorously through the year of the "ox." In the coming year, although there will undoubtedly be many hardships, we can, through a year of reform, have flourishing vitality and increasing vigor. It can be predicted that 1986 will be a year "full of vigor" for Anhui's industrial production.

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GUANGDONG'S LIN RUO COMMENTS ON PRODUCTION READJUSTMENT

HK110720 Guangzhou KAIFANG in Chinese No 4, 8 Apr 86 pp 2-4

[Article by JINGJI RIBAO reporter Chen Mao [7115 6290]: "Strive To Do a Good Job in the Great Business of Readjusting the Rural Production Structure--Interview With Guangdong Provincial CPC Committee Secretary Lin Ruo"]

[Text] Some people in rural areas are now keen on talking about "making fortunes by means of running industry and enlivening the economy by developing commerce," but they neglect the point that "there will not be a stable situation if agriculture is not developed." However, provincial party Committee Secretary Lin Ruo has reminded them that agriculture, as the foundation of the national economy, must not be weakened, and efforts for grain production must not be relaxed. Last year, due to the effects of natural disasters, grain output in Guangdong Province fell by a rather big margin. This made some people wonder whether the second reform step and the production structure readjustments in the countryside had gone too far. At this time, Comrade Lin Ruo soberly told them: The rural situation is not merely reflected in grain production, and the situation in grain production in 1 single year cannot represent the general development tendency. When readjusting the rural production structure, as long as we can properly coordinate the development of industry, which will build up fortunes, and the development of agriculture, which is the foundation for a stable economic situation, and properly handle the relationship between grain production and other diversified economic undertakings, we will be able to promote the continuous, steady, and harmonious development of the rural economy. He has repeatedly emphasized this view at rural work conferences and in talks with cadres and ordinary people.

Since last year, Comrade Lin Ruo has made many inspection tours in the mountainous areas in northern and eastern Guangdong and has made rural investigations in western Guangdong and Hainan Island. His purpose is to find the best solution for the readjustment of the rural production structure. Recently, Comrade Lin Ruo discussed this issue at an interview with this reporter.

A convincing fact is: Last year, although Guangdong suffered serious natural disasters, because we persevered in reforms and production structural readjustments, the agricultural output value still increased by 6.8 percent, and the peasants' per capita income reached 495 yuan, or increased by 70 yuan over the previous year.

At the beginning of the interview, Comrade Lin Ruo came straight to the point: Guangdong's grain output decreased by billions of jin last year. Did this show that the situation was not so good? This question concerns how we should correctly assess the results of the rural production structural readjustment. So this question represents a focus of people's attention.

Comrade Lin Ruo recalled Guangdong's experience in readjusting the rural production structure. He said: According to Central Document No 1 in 1985, the main tasks in the second reform step in rural areas are to reform the farm produce purchase system and to readjust the rural production structure. To achieve these purposes, more flexible policies should be taken to decontrol thoroughly agricultural production. The state monopoly purchase system and the quota purchase system for purchasing grain, pigs, and other farm produce have been replaced with a contract purchase system. This measure has shifted agricultural production from a self-supporting economy to a commodity economy, and has thoroughly freed agriculture from the shackles of the old guideline of "taking grain production as the key link." Peasants will be able to have the initiative in arranging their production according to market demands and local conditions under the guidance of state plans. This major breakthrough in rural policies enables Guangdong Province to give full play to its advantages in diversifying agricultural production and developing tropical and subtropical crops. Last year, the whole province reduced the sowing area of paddy rice by more than 5 million mu, and this farmland was used to plant various cash crops. Although grain output decreased, the output of sugarcane, fruit, and fish increased substantially. The production of goods that were in short supply on the markets also increased rapidly. People's needs were better satisfied in many aspects. Because peasants can have the initiative in arranging their production, they can choose the best production structure in light of their local conditions and can bring their local advantages to full play so as to increase both the input and output in agriculture as a whole. In many areas of the province, the proportion of cash crops to grain crops reached 3 to 7. Moreover, the proportion of forestry, animal husbandry, fishery, and sideline production has also increased in agriculture. This development tendency shows that Guangdong's rural production structure has become benign and reasonable and has paved the way for the harmonious development of the rural economy.

Comrade Lin Ruo strongly affirmed: Undoubtedly, following the first reform step of introducing the production contract responsibility system in the countryside, last year's reform of the farm produce purchase system has added new vigor to Guangdong's rural economy. He joyfully told this reporter a convincing fact: Although Guangdong (especially the western part of the province and Hainan Island) suffered serious natural disasters last year, agricultural production still achieved good harvests. The total agricultural output value reached some 17.4 billion yuan, marking an increase of 6.8 percent. All kinds of agricultural products except grain increased by substantial margins. Compared with 1984, sugarcane increased by 28 percent, fruit increased by 53.9 percent, freshwater aquatic products increased by 23.4 percent, and the total income of township enterprises increased by 42.1 percent. With the diversification of agricultural production and the development of secondary and tertiary industries, peasants' per capital income increased to 495 yuan, or 16.5 percent more than the previous year.

Then, Comrade Lin Ruo said with deep feelings: If Guangdong continued the previous practice of concentrating all resources on grain production, the peasants would not have achieved as much income last year as the national conditions were so bad, and there would not be today's prosperous situation in the countryside. Therefore, the central decision on reforming the farm produce purchase system is completely correct. We are full of confidence in the steady development of agricultural production this year.

A useful experience: In the course of readjusting the rural production structure, economic means should be combined with administrative means so as to arouse peasants' enthusiasm for growing grain crops. This does not mean that we will backtrack to the old road of exclusively conducting grain production; instead, this will ensure the steady development of grain production in line with the plans.

When talking with this reporter, Comrade Lin Ruo particularly stressed this viewpoint: Grain is the basis of the foundation for the national economy, and is the primary need in the people's livelihood. Guangdong is a grain-deficient province. Therefore, when readjusting the rural production structure, we must firmly guarantee grain production and make this a long-term strategic principle.

Comrade Lin Ruo clearly realized that after agricultural production was further decontrolled, the production of cash crops would certainly develop substantially because this is an inevitable tendency determined by the regularity of the commodity economy and Guangdong's special geographical conditions. In these circumstances, it is more necessary to pay attention to grain production. On the one hand, as the reforms of the price policies and the price system have just begun, it is not possible to quickly change the state in which planting cash crops can achieve higher income than planting grain crops. This objective factor may stimulate peasants into planting more cash crops and reducing grain production. On the other hand, due to the limited transport capacity, Guangdong Province can only purchase billions of jin of grain from other provinces each year. If grain production continues to decrease, grain supply in the province will become strained, and grain prices will rise. This will affect the people's livelihood and the development of animal husbandry. That is why people say that "one will have no fear if one has sufficient grain reserve." If one runs short of grain, how can one not feel fear?

What should we do when we are faced with this situation? Comrade Lin Ruo pointed out: Ours is a planned commodity economy. It is unimaginable that the socialist economy can work without plans. Therefore, management must be strengthened after agricultural production is further decontrolled. It is necessary to "strictly exercise macroeconomic control, and decontrol and enliven microeconomic activities." It is necessary to employ various economic means, or economic levers, as well as necessary administrative means, to strengthen macroeconomic control. Otherwise, there may be a tendency to merely seek immediate economic benefits to the neglect of grain production. Some peasants said: "contracts should be something that I will sign only when I agree." This means that if they do not want to produce as much grain as the state plan requires, they may refuse to sign the contracts. To solve this problem, last year, we adopted a flexible method which was called "receiving grain or an equivalent amount of money." According to this method, peasants are persuaded through our political and ideological work to accept the contract terms on a voluntary basis. Then, they have the right to choose their production items. If they cannot fulfill their grain contracts because they shift too much resources to grow cash crops, they will have to pay an amount of money to buy grain from the markets to make up for the deficiency, and they can also pay this money direct to the state grain department as a compensation. Thus, peasants will have to consider carefully how much resources should be shifted to the production of cash crops and consider whether the shift of production is favorable and profitable. At present, this method can stabilize grain production and ensure the planned development of the rural economy.

Lin Ruo told this reporter: In order to guarantee grain production in the whole province, the sowing area of grain crops will be stabilized at the current level in the next few years (at least at the next 2 years). At the same time, efforts will be made to raise unit yield so as to maintain the province's total grain output at a level above 38 billion jin. The deficiency of grain supply will be made up for by buying grain from other provinces. That is to say, a balance will be maintained between the production, supply, and demand of grain. Various measures will be adopted to protect peasants' enthusiasm for growing grain crops. Recently, the provincial grain department is studying a scheme to reduce the grain production tasks in poor areas. In addition, as the grain price is not now attractive enough, the purchase target for major grain production areas can be appropriately reduced and low-price fertilizer can be supplied to the grain production contractors. In short, measures will be taken to coordinate grain production in different types of areas and to protect peasants' enthusiasm for grain production.

Guangdong's strategy for future development is to stabilize the overall situation, make minor readjustments, and concentrate on building an extensive and intensive rural production structure.

When this reporter asked about the development strategy for readjusting the rural production structure in Guangdong, Comrade Lin Ruo said: We have worked out a general guideline; that is, to stabilize the overall situation, continue to make minor readjustments, and concentrate on building an extensive and intensive rural production structure. Most areas in the province have appropriately readjusted their production structures, and only a small number of areas has not made adequate readjustments or has made excessive readjustments. The overall situation shows that the production structure has been readjusted to an appropriate degree. It is estimated that 70 percent of localities have achieved a proper production structure. A small percentage of localities have made excessive changes, and they will be required to backtrack a little bit; the other small number of localities have not made adequate readjustments, and further minor readjustments will be made there. This is the content of the general strategy of "stabilizing the overall situation and making minor readjustments."

Finally, Comrade Lin Ruo said: We should look at the rural production structural readjustment from a wider angle. This readjustment is not limited in the reduction in the area of paddy fields or in the proportion of grain crops to cash crops. The readjustment should also include the overall utilization of all land and resources as a whole and the regulation of the distribution of primary, secondary, and tertiary industries. Comrade Hu Yaobang said during his recent inspection of Guangdong: Fields, lands, mountains, and water should all be fully and properly utilized; all waste mountains, hillsides, and beaches should be opened for production purposes and can be used to develop forestry, fruit planting, animal husbandry, and aquaculture. Secondary and tertiary industries should also be developed in the countryside. In short, we should not limit our production readjustment to the issue of shifting part of the paddy fields to grow cash crops; instead, we should pay attention to widening our production scope and intensifying our production. We have great potential to tap in this regard. In particular, the vast mountainous areas will be able to achieve remarkable results as they have rich untapped resources.

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ECONOMIC MANAGEMENT

HENAN BANKS CONTROL FUNDS FOR CONSTRUCTION PROJECTS

HK280928 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 26 May 86

[Text] Construction banks at all levels throughout the province must strengthen the management of funds for large and medium-sized construction projects really guarantee the funds for key construction projects, and raise investment results. This demand was put forward by the work conference of the provincial construction banks on the management of funds for large and medium-sized construction projects that concluded in Pingdingshan on 25 May.

Proceeding from realities, construction banks at all levels must strictly carry out the plans and management, control the scale of capital construction, rationally provide funds, help the construction projects do well in financial management, and strengthen supervision over spending funds on large and medium-sized projects. At the same time, they must make budgetary estimate of the funds, work out plans for the progress of the projects, and calculate and analyze economic results after the projects are put into operation so as to recover the loans on schedule.

Construction banks must also help the construction units vigorously implement the system of contracted responsibilities for investment and help relevant departments implement the system of inviting tenders for the construction of projects by contract. They must actively participate in the feasibility study of the large and medium-sized projects and provide reliable basis for formulating the policy decisions on the projects.

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CSO: 4006/1067

TALKS HELD ON JIANGSU SUPPORT OF GUANXI COUNTERPARTS

HK121450 Nanning Guangxi Regional Service in Mandarin 1000 GMT 8 May 86

[Excerpts] Thirteen days of talks on Jiangsu supporting Guangxi counterparts recently concluded in Guilin. During the talks, the Jiangsu representatives conducted investigations in and visited 13 prefectures and cities in Guangxi whose counterparts would be supported, and 167 items regarding supporting counterparts and cooperation this year and 99 proposed tasks were decided through consultation. This year the number of items decided through consultation is the largest ever. Furthermore, a new breakthrough in contents and forms has been made. The forms include joint operations, compensation trade, setting up exhibitions in each other's areas, and exchanging products. For the past 6 years and more, with both sides' efforts, Jiangsu and Guangxi have completed some 600 items of supporting counterparts. During the talks, both sides discussed the problems of how to continuously do well in supporting counterparts and how to develop lateral economic ties in the future. The main aspects are as follows:

1. Trades and enterprises in the province and region should extensively support and cooperate with the counterparts in each other's area at many levels, through many channels, and in many forms. Particularly in the fields of light industry, textile industry, chemical industry, electronics industry, machine-building industry, metallurgical industry, and building materials industry, it is essential to carry out effective cooperation such as vigorously effecting the transfer of technology and providing technological services. It is imperative to help Guangxi's existing enterprises enhance their technological and management levels.

2. In the aspect of training and resources, with Jiangxu continuing to train education, public health, professional, and technical personnel for Guangxi, it must also send management and technical personnel and skillful craftsmen, including some retirees, to Guangxi to give specific guidance and assistance. Guangxi will send some cadres at various posts to Jiangsu to study with their counterparts for a specified period of time.

3. Guangxi abounds in natural resources, including mineral products, hydroelectricity, and subtropical crops, while the processing industry in Jiangsu is more developed. There are brilliant prospects for developing lateral economic ties.

4. Both sides will make full use of each other's ports to jointly develop shipping.

5. Regarding the profits made from the items in which Jiangsu supports Guangxi, such as contracts for providing technological services or helping enterprises enhance technical and management levels, both sides will share the profits or Guangxi will pay a lump sum in charges for providing technological services or for transferring technology. All economic trades set up in Guangxi solely with Jiangsu capital or set up in Guangxi jointly by Jiangsu and Guangxi can enjoy preferential treatment whereby the income tax can be reduced by a half for 5 years as well as the preferential treatment for a minority-nationality region. The problem of investment in fixed assets will be solved by Guangxi.

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CSO: 4006/1031

ECONOMIC MANAGEMENT

WUXI CITY OFFICIAL HAILS RURAL-URBAN COOPERATION

OW301807 Beijing XINHUA in English 1539 GMT 30 May 86

[Text] Wuxi, May 30 (XINHUA)--Rural-urban cooperation can dramatically improve a city's economic performance, a ranking official of Wuxi, a thriving city in Jiangsu Province in eastern China, said today.

Chang Gensheng, vice-chairman of the city's economic commission, told participants in a symposium here on Asian-Pacific development a third of Wuxi's 9,000 rural industrial enterprises had formed cooperative links with larger urban factories or research or higher education units.

"This has spurred rural development," he said. "It's the best of both worlds: rural enterprises gain from their connection to the scale and advanced research of the city, urban enterprises find factories for small parts assembly tasks, and the commodity economy of the city is enhanced."

The cooperation provies especially beneficial when the city's commercial and export-oriented enterprises become involved, said Chang. He estimated that 95 percent of Wuxi's enterprises--all state or collectively owned--regulate production according to perceptions of market demand.

For that reason, he said, "rural enterprises learned a lot" from their urban counterparts about marketing, "creating a smoother path between production and sales."

The total output value of Wuxi's rural industries in 1985 totaled 8.6 billion yuan, and has been growing at an average annual rate of 34.8 percent over the last 7 years, according to city officials. They said rural production last year accounted for 48.8 percent of the city's total industrial output value.

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CSO: 4020/338

ECONOMIC MANAGEMENT

JILIN CONFERENCE ON INDUSTRIAL PRODUCTION CONCLUDES

SK101415 Changchun Jilin Provincial Service in Mandarin 0930 GMT 8 May 86

[Excerpts] The fourth provincial conference on analyzing industrial production and economic results, sponsored by the provincial government, concluded in Changchun today. The conference affirmed the initial achievements scored in the previous stage in launching the activities of analyzing the economic results, pointed out the existing problems, and put forward specific requirements for further launching the activities of analyzing the economic results and for promoting a steady and coordinated development of industrial production through carrying out the activities.

Reporting on the situation of launching the activities of analyzing economic results at the conference were leaders of all cities, prefectures, and autonomous prefectures, and responsible comrades of the planning and economic commissions and provincial-level departments concerned. Cao Dezhan, governor of the provincial government, made a speech at the conference.

The conference held: The current situation of our province's industrial production is generally good. The province's industrial production in the first 4 months of this year showed an increase of 8.3 percent over the corresponding period last year. However, we still have many difficulties and problems in industrial production. Simultaneously, the activities of analyzing the economic results are proceeding unevenly. Some localities, departments, and enterprises yielded very few economic results due to their failure to thoroughly launch the activities of analyzing economic results or to take effective measures for promoting industrial production.

After summing up the experiences gained by various localities and viewing the current actual conditions, the conference called for efforts to grasp the following four tasks in order to further deeply launch the activities of analyzing economic results:

First, we should continue to deeply launch the activities of analyzing the economic results in order to achieve better economic results and to promote a steady and coordinated development of industrial production.

Second, we should pay special attention to analyzing the market situation and the quality of products, and concentrate efforts on grasping sales, raw materials, and marketable products.

Third, we should link the analysis of economic results with the improvement of enterprise management in order to achieve better economic results through enhancing enterprise management.

Fourth, we should combine the analysis of economic results with the stress on ideological and political work and the improvement of the economic responsibility system in order to ensure the fulfillment of all tasks for the first half of 1986.

The conference also set forth reformative measures for comprehensively fulfilling this year's economic targets, and encouraged cadres, workers, and staff members of the enterprises to make further efforts to upgrade the quality of products, reduce consumption and production costs, expand sales, handle the overstocked products, make the most of funds, upgrade work efficiency, save expenses, increase the production of marketable products, and turn deficits into profits.

The conference pointed out: We should strive to ensure a 10-percent increase in this year's industrial production, but must not change the goal of fulfilling more than half of the annual targets for output profits, and taxes by mid-year. We must firmly grasp industrial production in the crucial period of May and June. We should enhance our leadership over and give careful instructions to the industrial production, immediately mobilize forces to take resolute measures and policy decisions for firmly grasping the industrial production, and concentrate potential on the industrial production in order to achieve real results in it.

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CSO: 4006/1031

LIAONING HOLDS CONFERENCE ON URBAN REFORM

SK020338 Shenyang Liaoning Provincial Service in Mandarin 2100 GMT 1 Jun 86

[Excerpts] The provincial conference on urban economic reform called for a correct analysis of the current situation in economic structural reform and steadfast efforts to deepen the reform. The key area of our province's urban economic reform this year is to develop lateral economic cooperation. This conference was held from 27 to 31 May. Comrade Zhu Jiazhen presided over the conference. Comrade Tan Liren relayed the guidelines of the national urban economic reform conference. Comrade Cheng Jinxiang relayed the guidelines of the national forum on institutional reform of selected medium-sized cities. The participants heard speeches by specialists and scholars on lateral economic cooperation. They also heard about the introduction of the experiences in trial overall reform of Shenyang, Dalian and Dandong, and the experiences of some enterprises in carrying out reform and lateral economic cooperation.

Attending the conference were leading comrades of the provincial CPC Committee, people's congress, and government, including Quan Shuren, Bai Lichen, Zhu Jiazhen, Wang Guangzhong, and Tan Liren. Also attending were responsible comrades of various provincial committees, offices, departments and bureaus; various city governments, economic structural reform offices, economic commissions, and economic and technological cooperation offices; and some large and medium-sized enterprises.

Bai Lichen, standing committee member of the provincial CPC Committee and vice governor of the province, spoke at the conclusion of the conference to summarize the conference.

After affirming our province's achievements in economic structural reform, Comrade Bai Lichen pointed out: In carrying out this year's tasks for reform, we should do a better job in overall urban reform, persistently place the focus on invigorating enterprises, particularly large and medium-sized ones, make a success of planning, guidance, coordination, service and supervision, actively establish a system of indirect administration, reduce intermediate links, improve macroeconomic control, open up and improve various markets, in particular markets of the means of production, money, and technology, further enhance the radiation capability of cities, and give play to their multiple functions.

Comrade Bai Lichen stressed: Supportive projects are necessary for us to ensure the healthy development of lateral economic cooperation. The present major obstacle to lateral economic cooperation is the old system under which no distinction was made between different departments and regions. Therefore, we should resolutely separate government functions from business management and delegate power to enterprises. We should be determined to readjust and consolidate administrative companies. Departments in charge of economic management should change their administration over enterprises into administration over trades. They should clearly understand that the cooperation in economic management should be focused on the cities, in particular the central cities, rather than regions or departments. We should adopt policies to encourage and support lateral economic cooperation. Based on the guidelines of the 30 regulations on further promoting lateral economic cooperation issued by the State Council, the provincial government has formulated supplementary regulations. All cities and departments should [words indistinct], and protect the legal rights and interests of economic cooperation organizations, and various quarters concerned.

Wang Guangzhong, vice chairman of the provincial People's Congress Standing Committee, also spoke at the conference.

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CSO: 4006/1067

ECONOMIC MANAGEMENT

NEI MONGGOL OFFICIAL VIEWS DEVELOPING EXTERNAL COOPERATION

SK170217 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 15 May 86

[Text] At the regional meeting of directors of external economic and technological cooperation offices which concluded on 8 May, Liu Zuohui, vice chairman of the regional government, pointed out: In order to achieve the work of conducting external economic and technological cooperation, all leagues, cities, banners, and counties should bring their initiative into full play. In line with the principle of taking advantage of favorable conditions and avoiding weakness, maintaining mutual benefits, and adopting various forms to seek common progress, we should focus on grasping the cooperation between the enterprises throughout the region while never abandoning the principle of conducting cooperation with the places outside the region.

Comrade Liu Zuohui said: Our region has made an earlier start in conducting the economic and technological cooperation with outside places. Last year, the region imported 205 million yuan of funds, showing an increase of 67 percent over that of 1984 and accounting for more than 46 percent of the total imported funds during the Sixth 5-Year Plan period. A total of 814 fairly large economic and technological cooperation projects were carried out last year, a 13-fold increase over 1984. More than 8,000 were brought in from other places. This has helped accelerate the pace of the enterprises' technological transformation progress, improve the management level of the enterprises, and speed up the pace of upgrading and updating the products. Last year, the region developed more than 500 new products, some of which had ready markets among foreign countries.

Comrade Liu Zuohui pointed out: Practice has shown that small economic and technological cooperation projects can produce faster results than larger cooperation projects. All leagues, cities, banners, and counties should initiatively go into action to pay more attention to developing small projects. We will accomplish nothing if we only pay attention to large projects and westernization. We should seek truth from reality to develop cooperation in accordance with our region's economic strength. The five leagues and cities in the western part of the region and the four leagues and cities in the eastern part of the region should develop their cooperation with the Northeast Economic Zone in terms of technological cooperation and import of talented persons in order to help the enterprises accelerate the pace of technological transformation progress. We should strive to bring in some projects which need short construction time and can score rapid results, and some projects which can create great production and high results with less investment. Of course, we have to impose restrictions on some trades. For instance, the leagues, cities, banners, and counties are not allowed to develop the wool spinning industry at the same time. If they do it at the same time, the situation in which small enterprises occupy the fixed assets of large ones will emerge, and our region's advantages in developing wool spinning industry will soon disappear.

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CSO: 4006/1031

ECONOMIC MANAGEMENT

BU HE SPEAKS AT NEI MONGGOL FORUM ON ECONOMIC LEGAL SYSTEM

SK020326 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 1 Jun 86

[Text] On the morning of 31 May, Bu He, chairman of the regional government, pointed out at the regional forum on building the economic legal system that strengthening such a system and managing the economy with legal means are necessary for reforming the economic structure. He called on leaders at all levels to enhance their understanding, to learn how to manage the economy with legal means, and to fully display the government organs' functional role of using legal means to manage the economy.

Comrade Bu He said: Since the 3d Plenary Session of the 11th CPC Central Committee, we have established more and more lateral economic ties along with the development of the national economy, the deepening of the economic structural reform, and the strengthening of the vitality of enterprises. Relations in the economic sectors have become more complicated and the market demands have changed remarkably. To cope with such a new situation, we must adopt economic and legal means and some necessary administrative means to control and regulate the economy and to keep it functioning, and infiltrate standard, coercive and stable laws into the administrative and economic means. We should legalize the administrative and economic means and turn them into the necessary fundamental criteria for the people to follow in order to bring economic management into the framework of law, to guarantee good control over the macroeconomy, to allow flexibility in the microeconomy, and to carry out reform in an orderly manner.

Comrade Bu He said: The Constitution and the law on regional national autonomy have given decisionmaking powers to the minority areas in managing their local economic construction and greater powers to the self-government organs in managing their own affairs. Therefore, we should proceed from the reality of our region's national, natural, and economic characteristics while formulating a series of economic laws and regulations with distinctive local features, make the state's legal principles our definite goals, and turn them into systems so that they will become our important means for exercising our rights for autonomy and for managing the economy in line with the law. This is of vital importance and is necessary for implementing the general principles of our economic work in the new period, promoting the deep development of the region's economic structural reform, and accelerating the region's socialist four modernizations drive.

Comrade Bu He stressed: We should comprehensively and correctly implement the rights given by the Constitution and the law on the regional national autonomy. While formulating local economic laws and regulations, we should strictly follow and observe the following principles: First, we should uphold the state's centralized unified leadership and safeguard the unity of the state. Second, we should adhere to the principle of democracy and equality. Third, we should adhere to the principle of common prosperity. Fourth, we should adhere to the principles of proceeding from reality and managing things in line with objective laws. Fifth, we should adhere to the principle of giving simultaneous consideration to the interests of the state and the local authorities in order to benefit the construction of the state and of the autonomous region.

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CSO: 4006/1067

ECONOMIC MANAGEMENT

XIAN FORUM VIEWS PROBLEMS IN STRUCTURAL REFORMS

HK300125 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 29 May 86

[Excerpts] Leading comrades of the party and government in Xian City invited representatives of some advanced units in economic structural reform to a forum on 29 May to discuss the current experiences and problems in reform and the question of how to carry out reforms in greater depth. Leading comrades present included Dong Jichang, Yan Huanwu, (Shang Yingbin), (Feng Yuanshuo), (Ma Zhenhua), and (Shao Wuxian).

While affirming the achievements in reform, the participating enterprise directors and managers raised a number of current problems and put forward suggestions on how to improve the reforms. They all held: Good results have been achieved in reform. There is also resistance to reform. It is not easy to be a plant manager during a period of reform. Plant managers have great responsibilities but little power. Prices of raw materials have risen and there is a dire shortage of [word indistinct] is hard to hold one's own with charges and fines being imposed from various quarters.

They demanded that the upper-level leading departments issue explicit regulations clearly distinguishing between reform and unhealthy trends.

Dong Jichang, deputy secretary of the provincial CPC committee and secretary of the city CPC committee, spoke at the conclusion of the meeting. He specifically pointed out: The present excellent situation was gained through reform. All those enterprises that have achieved success in reform have leaders with emancipated minds who dare to innovate, stress the major affairs of state, and are not afraid of rumors, slanders, or attacks. Their leading groups are able to unite as one and work in concert. Such leading groups are extremely valuable. We hope they will continue in this fashion and strive to be vanguards in reform. I hope the departments concerned will understand and support the reformers.

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CSO: 4006/1067

ECONOMIC MANAGEMENT

XINJIANG MEETING DISCUSSES INDUSTRIAL PROBLEMS

HK100425 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 9 May 86

[Excerpts] A telephone conference on directing industry and communications, convened by the regional people's government yesterday afternoon, pointed out that although a good momentum of sustained development was recorded in production from January to April, the plan for the rate of progress was not fulfilled. All areas and departments must tangibly improve their work style, help the enterprises to solve specific problems, and mobilize the workers to strive to fulfill and overfulfill the production plans.

The region's industrial output value up to the end of April was 2.255 billion yuan, an increase of 9.68 percent over the same period last year. Output of 51 products showed increases. However, the output value during the period only amounted to 27.5 percent of the year's plan, thus failing to meet the demand for rate of progress. The increase in light industry output was below that of heavy industry. In particular, output value of the food industry declined by 12.93 percent compared with the same period last year.

Tuohuti Shabier, vice chairman of the regional government, pointed out at the meeting that not only has the region failed to fulfill the plan for rate of progress in industry and communications production this year; in addition, quality of some products has deteriorated, input has risen, and safety work and economic results have not been good enough. All areas and departments, and especially the leaders at all levels who are in charge of economic work, must pay serious attention to these problems. It is essential to fulfill the mandatory plans for May and June and ensure that 48 to 50 percent of the year's plan is fulfilled by the end of June. The leaders must be held accountable in places and departments that cannot fulfill their plans.

The region must vigorously increase output of best-selling products in accordance with market needs. Planning restrictions can be ignored on products for which there are sales outlets, guaranteed raw material supplies, and production capacity.

Tuohuti Shabier emphasized that the region must give prominence to improving product quality and lowering material input. A deadline must be set during May and June for restoring the quality of high-quality products that deteriorated during the first quarter. Substandard products must be improved, or the factories concerned should halt production for consolidation. We must apply tough reward and penalty measures to do everything possible to improve product quality, lower material input, and achieve all-round betterment of economic results in the enterprises.

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ECONOMIC MANAGEMENT

XINJIANG LEADER ON SUPPORTING POOR AREAS, PROMOTING REFORM

HK300205 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 29 May 86

[Excerpts] Tomur Dawamat said in his report to the fifth session of the sixth regional people's congress that the work of supporting poor areas is an important task during the seventh 5-year plan. We must have a strong sense of responsibility and urgency regarding this work. We must basically complete the task of extricating people from poverty during the period of the plan.

He said: The regional authorities recently decided to allocate an extra investment of 100 million to Khotan, Kashi, and Kizilsu prefectures during the seventh 5-year plan, to be used in infrastructural construction such as water conservancy, electric power, and roads. Revolving funds totalling 10 million yuan are to be set up to support poor areas. Part of these funds are to be regarded as a bank loan [word indistinct] and used to support poor herdsmen with an average net income below 150 yuan and poor peasant households with a net income below 120 yuan, to help them develop production.

Various units in the region should provide counterpart support to the three prefectures. All sectors and trades should provide a certain amount of support in policy, capital, material, technology, and talent. Apart from the support provided by the region and various areas, it is even more important to mobilize the enthusiasm of the local cadres and masses to rely on their own efforts and take effective steps to transform the production conditions, take full advantage of local strongpoints, strive to develop production, and transform their poor appearance.

Tomur Dawamat said in his report: To do a good job in economic structural reform during the seventh 5-year plan, we must seriously implement this year the principle of consolidation, digestion, replenishment, and improvement, consolidate and develop the fruits of reform, and prepare for still greater strides in reform next year and the year after.

At present the government at all levels must get a thoroughly good grasp of the following tasks:

1. We must persevere in putting reform in the first place. The principal leaders must tackle this personally. On the basis of investigation, study, and full preparations, the region will convene a conference on urban structural reform work to sum up the experiences in reform and study how to press ahead with reforms, actively and steadily.

In order to strengthen leadership over reform, the autonomous region, all prefectures and cities, and government departments with many subordinate enterprises should have strong and effective organs to tackle structural reform work.

2. We must seriously check on the performance of all departments and units in implementing the State Council and regional policies and regulations on reform.

3. We must continue to do a good job in running the Urumqi City pilot project in comprehensive economic structural reform, and ensure that Urumqi truly plays its attraction and radiation role as a key city.

4. We must continue to attach importance to rural reforms and further perfect the socialist production and exchange modes, so as to mobilize the inherent vitality in rural social economy.

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CSO: 4006/1067

BRIEFS

AGREEMENTS WITH SICHUAN SOUTHWEST PROVINCES--At the recent third session of the economic coordination conference of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing, Sichuan Province had a full exchange of views with the other parties on further strengthening lateral economic ties and cooperation, and signed 85 cooperation agreements with them. An agreement was signed with Guangxi on jointly raising capital for constructing the Sichuan natural gas chemical plant, to produce 300,000 tons of synthetic ammonia and 520,000 tons of urea a year. The Sichuan Provincial Chemical Industry Department will invest 400,000 yuan in helping to construct a tin oxide production line in Gejiu City, Yunnan. The agreements signed include those for ties between industrial enterprises, and for joint operations and sales by commercial departments. Some agreements also involve joint export efforts. Some new materials supply agreements were also signed. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 28 May 86] /9604

FORUM ON DEVELOPING SOUTHERN GANSU ECONOMY--A provincial CPC Committee and government forum on speeding up economic development in southern Gansu, which concluded on 30 May, proposed that the fundamental tasks in economic construction there are, guided by Comrade Hu Yaobang's instructions delivered during his visit to the area, to display the spirit of arduous struggle and hard work, vigorously develop commodity economy, and lead the masses to eradicate poverty and get rich as soon as possible. During the forum, responsible comrades of provincial departments and of the prefectures and counties in the area seriously discussed five draft plans, and unanimously held that the principles and policies devised by the provincial CPC Committee and government for developing southern Gansu's economy are in accord with local reality and show fine prospects for the people there to eradicate poverty and get rich as soon as possible. Provincial CPC Committee Secretary Li Ziqi, Governor Jia Zhijie, Provincial Advisory Commission Vice Chairman Ge Shiying, and Vice Governor Lu Ming attended the forum and spoke. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 30 May 86] /9604

WEST SICHUAN ECONOMIC MEETING--A discussion meeting of the western region of Sichuan on the economic and social development strategy opened in Chengdu today. The participants are mainly studying and discussing the role and functions of the economy of the western region of Sichuan in the whole province, the favorable conditions for future development, and restrained factors. The meeting is also studying and discussing the leading industries and the problems of cooperation in specialization in the western region of Sichuan as well as the problems of how to give play to the role of the key cities of the western region of Sichuan and the problems of economic cooperation of the urban and rural areas. The conferees hope to achieve the aim of exchanging information, whipping up public opinion, putting forward suggestions, and promoting work, the development of the economy, and study of the strategy of this region. Some 150 people of eight cities, prefectures, and autonomous prefectures of the western region of Sichuan and relevant departments at the provincial level are attending the discussion meeting. Governor Jiang Minkuan and Chengdu City CPC Committee Secretary Wu Xihai attended the meeting and spoke. [Text] [Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 27 May 86] /9604

INDUSTRIAL PRODUCTION URGED--Industrial output of the region from January to April this year was 4.6 percent more than in the same period last year. Of the output, the total output of eight prefectures recorded an increase of 9.24 percent. However, industrial production in five cities was lower than the region's average rate of increase. To quickly change this situation, Wang Rongzhen, vice chairman of the regional People's Government, put forward five demands: 1) It is necessary to seriously do well in grasping the implementation of the policies. 2) It is essential to correctly understand the speed of Guangxi's industrial development. 3) It is imperative to really do a good job in grasping technological transformation. 4) We must lighten the burdens of enterprises. 5) While grasping production, we must attach importance to quality, strive to reduce consumption, and pay attention to safety in production. [Text] [Nanning Guangxi Regional Service in Mandarin 1000 GMT 11 May 86] /8309

JOINT DEVELOPMENT--In a recent visit to Fangchang Port in Guangxi, the station's reporters were told by (Zhang Jingze), director of Fangcheng Port administration committee, that the port would adopt much more preferential treatment than other ports and warmly invited the province's companies, enterprises, and customers to jointly develop and use the port. (Zhang Jingze) said: Following the inauguration of the railway link to southern Guangxi, the shipping distance for coal exported from Liupanshui can be reduced by 455 kilometers when compared to the distance to Zhanjiang Port. Guizhou Province's raw materials and goods such as phosphate ore, [word indistinct] ore and heavy metals can also be exported through this port. He said: Any Guizhou enterprise that is formed at the port may, before the contract concerned expires, have a 65-percent reduction of income tax. Enterprises that engage in 10-year and more operation may be exempted from taxes for the first 3 profit-making years. Also, their income tax will be cut by 50 percent between the fourth and sixth profit-making year. He also said: The port administration committee will [be] making appropriate arrangements for the difference between the foreign exchange amount required and the payment by Guizhou's enterprises established at the port when importing equipment, raw materials, and accessories. [Text] [Guiyang Guizhou Provincial Service in Mandarin 2200 GMT 8 May 86] /8309

REGIONAL ECONOMIC INTEGRATION--Shenyang, 6 May (XINHUA)--Shenyang, Changchun, Harbin, and Dalian Cities and Nei Monggol's Chifeng City, and Xingan, Hulun Buir, and Jirem leagues have decided to hold joint meetings of mayors and league heads to organize themselves into a loose regional organization for lateral economic integration. Recently, the first such meeting was held in Shenyang where the participating cities and leagues signed a protocol on the methods and objectives of mutual coordination. They agreed to work together to develop one another's resources, produce brand-name and quality products, expand the processing of farm and sideline products, and promote foreign trade, tourism, transportation, as well as exchanges of personnel and technical information. [Summary] [Beijing XINHUA Domestic Service in Chinese 0130 GMT 6 May 86 OW] /8309

INVIGORATING ENTERPRISES--The provincial people's government has decided that beginning in mid-May, an all-round large-scale inspection should be carried out throughout the province with a view to invigorating enterprises. The provincial government has demanded: During the large-scale inspection, it is necessary to implement the relevant policies and regulations on invigorating enterprises which have been issued by the State Council and the provincial government over the past few years. It is essential to help enterprises resolve their practical problems. Where we have not implemented what the documents of the central and provincial authorities expressly provide, we must resolve the problems on the spot during the large-scale inspection. Where obstruction occurs in a unit at a level, the unit at that level must be responsible for resolving the problem. If a problem involves a department, that department must be responsible for resolving it. We must not shift our responsibility for resolving problems to our upper levels. Moreover, we must prevent formalism and doing things perfunctorily and superficially. This large-scale inspection must conclude in the beginning of June at the latest. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 8 May 86] /8309

ANHUI SMALL COMMODITIES' TRADE--The Anhui Provincial CPC Committee and the provincial people's government recently adopted five measures regarding the production and sale of small commodities. They are: 1) Conscientious efforts should be made to solve the problem of raw and semifinished materials. Planning and materials departments at various levels should make special arrangements for the supply of rolled steel, nonferrous metals, and other raw and semifinished materials for the production of small commodities. 2) Commercial, supply, and marketing departments should step up their efforts to deal in small commodities. 3) Restrictions on small-commodity prices should be really lifted. 4) Consideration should be shown to small-commodity producers and dealers in credit and taxation. 5) Economic benefits for those producing or dealing in small commodities should be rationally regulated. [Excerpts] [Hefei Anhui Provincial Service in Mandarin 1000 GMT 11 May 86] /8309

FACTORY PRODUCTIVITY INCREASED--Shanghai, May 5 (XINHUA)--Joining academic theory to production line practice, 59 colleges and universities here have been helping factories throughout China increase productivity. The combined efforts generated an additional 500 million yuan last year alone, the Shanghai higher education technical service center said today. Altogether 1,400 Chinese enterprises have been involved in 167 academic projects combining teaching, research and production improvements, the center said, including advanced training of 672,700 workers. One project, involving Jiaotong University and seven electrical transformer plants here and elsewhere in China, developed high-voltage testing equipment that eliminated the need for expensive imports. Another saved an organic chemical plant on the outskirts of Shanghai. The plant was about to close down for lack of sales, but with research ideas from the East China Chemical Engineering Institute, it developed a new line of successful products. [Text] [Beijing XINHUA in English 0540 GMT 5 May 86 OW] /8918

CSO: 4020/336

FINANCE AND BANKING

GUIDELINES PROVIDED FOR YEAR-END FINANCIAL ACCOUNTINGS

Beijing CAIZHENG [FINANCE] in Chinese No 12, 8 Dec 85 pp 10-12

[Article: "Ministry of Finance Circular on Preparation of 1985 Year-End State Accounting"]

[Text] The task of preparing the 1985 year-end state accounting is about to begin. Right now all jurisdictions and departments are in process of conducting a major check of national tax revenues and finances while paying strict attention to increasing receipts and limiting expenditures of public funds. In order to improve the quality of the 1985 year-end state accounting and make the accounting genuinely reflect national financial and economic activity for the year as well as new achievements in restructuring of the economic system, a notice on basic requirements and relevant issues in preparing the year-end state accounting is provided as follows:

1. Unified Conception and Efforts To Balance Receipts and Expenditures

This year's financial and economic situation has been very good. The State Council's call for the eradication of a 3 billion yuan deficit from this year's original budget is both a glorious and a daunting assignment. There are very many factors favoring achievement of this task; nevertheless, one must also realize that there have been quite a few financial factors during the fourth quarter of 1985 that will reduce income and increase expenditures. Accomplishment of this task will require that we make a very great effort. All jurisdictions and sectors will have to conduct a large scale check of their tax revenues and finances and will have to put in order their year-end accounting. They will have to devote serious attention to increasing income and decreasing expenditures before the beginning of the year, and they will particularly have to guard against the abnormal situation that occurred during the fourth quarter of 1984 in which a large bulge in expenditures occurred, actively balancing the budget for the current year.

In the income area, they must conscientiously straighten out instances of tax cheating, tax evasion and defaults in tax payments, all monies due being paid in full into the treasury and included in the 1985 accounting of receipts. Units and individuals that have cheated on their taxes, evaded taxes or defaulted on payment of their taxes are to pay sums due to the treasury at once in strict conformity with provisions of tax laws. Instances in which authority has been exceeded to permit reductions or exemptions from tax payments must be resolutely corrected, all taxes that should have been paid being paid retroactively. The two gaps of revenue refunds from the treasury and business repayments of loans must be strictly plugged. Demands for refunds from the treasury must be handled strictly in accordance with provisions of national regulations. Diligence is to be exercised in the investigation of cases involving fraud, refunds made on the basis of false estimates, and losses stemming from false reporting, and every effort made to recover such funds. Businesses must act strictly in accordance with regulations, repaying loans from added profits once projects for which loans have been used go into production. Making an issue of repayment of loans and resorting to all sorts of tactics to hold on to earnings that should be paid into public funds positively cannot be permitted. Banks must collect loan funds from those responsible for making repayment, and they may not contravene regulations to act forcibly to attach loan funds or waive payment of profits due from enterprises. They should link major checks of finances to diligent auditing of all income received from fines and confiscations as well as the "petty cash" held by all units. They must resolutely correct all situations in which there is embezzlement of revenues due the national treasury in violation of financial and economic discipline such as willful retention of tax monies and profits due and the off-the-books keeping of accounts.

Simultaneous with firm grip on work pertaining to financial revenues during 1985 should be particularly stringent control and restriction of disbursements as the key to balancing national financial income and expenditures during 1985. All jurisdictions and sectors should act in the spirit of the instructions from the State Council and requirements of the August 1985 conference on national financial work to effect strict control over disbursements for capital construction, bending every effort to reduce the administrative expenses and purchasing power of social groups, striving to economize wherever economies are possible. Treating appropriations as payments, use of claims in place of reports, and making false reports and claims as well as other expenditures that contravene the fiscal and financial system must be resolutely corrected and not made a part of final settlement payments for 1985.

Financial units at all levels are to act under leadership of local governments in accordance with control criteria for 1985 financial payments handed down in August 1985 by the national financial work conference to exercise strict control and achieve a balance through their own efforts.

Abolition of the 3 billion yuan deficit in the 1985 national budget and striving to realize a balance between receipts and expenditures is a major task on the frontline of finance during 1985. It is also a basic requirement in the preparation of the state accounting for 1985. Efforts should be made to increase revenues somewhat while controlling expenditures more stringently. Simultaneous with taking firm grip on the task of increasing revenues and controlling expenditures before the arrival of the new year, all jurisdictions and all sectors should conscientiously prepare their final accountings for 1985 to make a contribution to a balanced budget for the year.

2. Diligent Preparation of the Financial Accountings of All Departments and All Units

Unit financial accountings are the foundation for national financial accounting. There must be a diligent level by level preparation of accountings beginning with grassroots units in order to insure quality of this year's national financial accountings.

In examining the financial accountings of enterprises, the focus should be on checking costs and the kinds of things for which expenditures have been made, all problems concerned with juggling costs and payments that are not in accord with regulations being corrected. The status of enterprises' loan repayments should be checked and all issues involving loan repayments not consistent with regulations corrected. The status of profit retention by enterprises should be prepared and all matters involving arbitrary liberalization of policies and the allowing of profits through reduction of tax payments are to be corrected. The process whereby failing enterprises were able to turn losses into profits should be looked into, and all problems involving violations of regulations and wilfully obtaining refunds from the treasury to make up for losses should be corrected. Public funds are not to be used to bail out either enterprises that have not been able to turn around their losses during the plan period or those that have newly incurred losses as a result of inept administration and management. The financial accountings of foreign trade enterprises, grain enterprises and commercial enterprises should be scrutinized particularly carefully, and both enterprises losses and premium prices paid for excess procurement of grain should be diligently verified. Subsidies paid for losses based on fraudulent reporting and claims must be recovered in toto. All money obtained as a result of changing "parity prices to negotiated prices" and "negotiated prices to excess procurement prices," thereby obtaining illegally premium prices for excess procurement of grain are to be paid in toto into the treasury.

Separation of national budget funds from funds owned by banks is to be conscientiously prepared in connection with financial accountings for capital construction. That portion of capital construction payments that exceeds the state authorized "change from appropriations to loans" may not be included in the accounting for 1985. Determination should be made as to whether a clear distinction has been made between funds for capital construction obtained through a "change from appropriations to loans" and disbursements of banks' own funds for capital construction. Disbursements of banks' own funds in loans for capital construction should not be included in the national budget as capital construction payments in the nature of a "change from appropriations to loans," much less should appropriations be treated as payments or claims be used in place of reports.

In the checking of financial accountings of administrative units, emphasis should be placed on how well administrative expenses have been decreased with particular emphasis going to the checking of curtailment of payments for purchases of equipment, for repairs, for conferences and for personnel in excess of authorized strength. Standards for payment of expenses should be rigorously enforced. In accordance with State Statistical Bureau, the former State Construction Commission, and Ministry of Finance Notice No 234 (1978) as well as the provisions of State Statistical Bureau (84) supplementary notice Caiwenzi No 106, all expenses having to do with capital construction are to be eliminated from administrative expenses and placed in the category of payments for capital construction. A diligent preparation should be made and an explanation provided in cases where control standards handed down for 1985 have been exceeded. Emphasis should be given to preparation of how well consumption funds are controlled in financial accountings of entrepreneurial units; "petty cash funds" should be conscientiously audited, and wholesale awards of bonuses, subsidies and material goods on various pretexts should be corrected resolutely.

3. Strict Enforcement of Financial and Economic Discipline and Conscientious Handling of Problems in the Course of Preparation of Final Accounts

All jurisdictions and units should handle problems that arise in the course of examining final accounts in the spirit of Ministry of Finance "Notice On Preparation of Reports on Major Inspections of Tax Revenues and Financial Affairs," which was approved and forwarded as State Council (1985) Document No 101, plus Ministry of Finance (85) Document Caigongzi No 314 titled, "Various Regulations on Handling of Problems Pertaining to Finances in the Course of Major Inspections of Financial Matters." They should also conduct inspections and dispose of matters in accordance with relevant financial and accounting regulations, and they positively cannot allow matters to remain unsettled. They must genuinely insure that laws exist to be followed, that laws will be strictly enforced and violations of laws will be punished. In serious cases of premeditated tax evasion and violation of financial and economic discipline, not only are all illegal gains to be confiscated in entirety, but those directly responsible are also to be punished administratively in accordance with Party discipline and government discipline. Those who violate criminal laws are to be held responsible for their crimes according to law.

4. Strengthening of Organizational Leadership For the Preparation of Final Accountings

The year-end state accounting is the culmination in implementation of the national budget. It is the financial focus of national economic activity for the whole year. Financial and fiscal departments at all levels should treat as an important matter the preparation of the 1985 year-end accounting. In the task of examining the 1985 year-end accounting, firm grip should be taken on the three links of year-end auditing, preparations for the new year and preparation and collation of the past year. This requires auditing of budgeted expenditures, a final settlement of current sums, an inventorying of assets and property, verification of figures and diligent reconciliation of accounts. This requires both efforts to increase income and limit expenditures and guarding against "spending what one does not yet have." However, problems that should be handled in the current year will also have to be handled to insure the truthfulness and reliability of all final accounting figures. This will entail self-preparation, mutual preparation and preparation by higher authority of key areas in individual units. It will require diligent summarization of restructuring of the financial, fiscal and tax collection systems during the year and new developments, new experiences and new problems in budget and fiscal management, using preparation of year-end accounts as a means for raising the level of management of budgetary and fiscal work, for exploring, improving and giving impetus to new ways of restructuring the financial, fiscal and tax collection systems. It will require reporting within the time limits set by higher authority of all fiscal accountings and financial accountings in order to insure that the year-end state financial accounting is prepared and collated promptly.

Little time is available for preparation of final accountings for 1985 and the task is an arduous one. Financial departments and units in charge at all levels should exchange information on the whole process of preparing final accountings, control the pace, go down among the grassroots and provide supervision and assistance. Units and individuals who do a good job of year-end accounts preparation should be accorded recognition and rewards. Units and individuals rendering a poor performance should be criticized and indoctrinated. Higher authorities have the authority to suspend disbursements of budgeted funds to those who are seriously derelict in the reporting of final accounts. Leading comrades at all levels in financial and fiscal departments should strengthen organizational leadership for the preparation of 1985 year-end accounts. They should supervise, urge on and inspect to make sure that the work of preparing year-end accounts for 1985 is completed on time, smoothly, and with good quality.

5. Ideas For Dealing With Several Specific Problems in the Work of Preparing Year-end Accountings

(1) All surplus funds remaining in 1985 from payments by local financial jurisdictions are to revert to the local jurisdictions in entirety. This is to include surpluses remaining from payments of funds disbursed by the central government for specific purposes. Except for funds that are to be rolled over in accordance with regulations for continued use during the following year, all other funds are to revert to local financial organizations and centralized plans made for their use. All surpluses remaining from expenditures within the purview of local financial organizations should be controlled and rolled over in the spirit of centralized funds. In cases where plans for a project have been completed, no further rolling over of funds is to occur. In cases where plans for a project may not have been fulfilled or where the project may either not be carried out or delayed, no further rolling over is necessary as well. When it is necessary to roll over funds, whether or not local jurisdictions have the financial resources to handle the situation should also be looked at, a roll over being done when money is available, but no roll over being done when no money is available. There can be no uncontrolled rollovers while financial authorities at a higher level are requested at the same time to provide the funds needed to make the roll over.

(2) In 1985 year-end central and local financial accountings, in addition to items that have been routinely adjusted upward or supplemented, as well as those for which there has been a general rise in plan or lowering of plan, or increases or decreases in the process of budget implementation for which a year-end accounting is to be prepared in accordance with the provisions of pertinent documents in the existing financial system, the Ministry of Finance will provide specific final accounting procedures to be followed for items about which the state has uniformly adopted financial and economic measures

and which by regulation require an independent accounting by central and local financial units. The ministry will request all provinces, autonomous regions and municipalities under direct jurisdiction of the central government to provide detailed and accurate figures and data as required when they report their overall financial accounting as an aid in the verification of final accountings.

(3) For year-end "budget responsibility surpluses" of administrative entrepreneurial units at all levels that instituted a system of budget responsibility in 1985, the budget rollover method is to continue to be used. Such surpluses should not be handled as expenditures in the financial accounting in order to avoid or reduce financial surpluses for the current year.

(4) According to the provisions of Ministry of Finance and Construction Bank Head Office (85) Jianzongzongzi No 18 titled, "Notice on Problems in Budget Management of Expenditures For National Capital Construction Following the Change From Appropriation of Funds To Loans For Capital Construction," state budgeted disbursements to the Construction Bank at all levels of capital construction loan funds (including interest-free loans) are to be included as financial expenditures in final accountings at year's end on the basis of the actual amounts of funds disbursed (i.e., bank payment figures). The use of claims instead of reports and of appropriations for expenditures is not allowed. Payments for investment using loans instead of state appropriations are to be entered separately into year-end accountings for individual years according to their source. Capital construction investment loan funds that the Construction Bank at all levels have recovered are to be listed before the end of the year in the proper amounts as income paid to the treasuries of the central or local governments from capital construction budgets.

(5) As of 1985, the national treasury will no longer pool enterprises' basic depreciation funds; however, for 1984 when local finance departments and the central financial authorities prepare independent year-end accountings, amounts of basic depreciation funds owed the central treasury by local enterprises are to be paid to the central treasury in accordance with the relevant notice from the Ministry of Finance. If such sums have been already carried as income into local treasuries, corrections are to be made before the end of the year and payment made to the central treasury.

Beginning in 1985, the national budget will no longer carry receipts and expenditures of enterprises' payments of basic depreciation funds. Consequently, the basic depreciation funds amassed by certain local treasuries are to be handled as funds outside of financial budgets and are to be included as unlisted receipts and expenditures in the year-end final accounting. If such funds have already been included as listed receipts and expenditures in local financial accountings, a change should be made so that the final accounting agrees with the budget.

(6) In accordance with State Council Guofa (1985) No 35, Ministry of Finance (85) notices Caiyuzi Nos 51 and 85 provide that price increase funds for excess procurement of grain and oil," "subsidies for readjustment of meat prices," and "subsidies for price differences for lard used to manufacture

soap" are to be changed from income refunded from the treasury and listed as budgeted expenditures, and none of them is to be refunded from stated budgeted income. Anything that cannot be handled in accordance with the foregoing regulations is to be straightened out before the end of the year.

(7) In 1979, central government financial authorities used a reduction in funding by the Construction bank to suspend large and medium size capital construction projects and fell in arrears on funds earmarked for equipment in production enterprises. Six years have passed, but the reduction is still not finished. All levels of the Construction Bank must take firm grip on auditing and a final accounting by the end of 1985 and prepare a special report before the end of February 1986 on results of the reduction for the Construction Bank main office and the Ministry of Finance.

(8) In order to help the year-end audit, all enterprises and entrepreneurial units that make reciprocal transfers among local budgets and central government budgets before the end of November and who take care of financial procedures should promptly settle accounts and prepare final accounting reports as their financial subordination requires after transfers have been made.

An original and six copies of summary financial accountings from all provinces, autonomous regions and municipalities under central government jurisdiction are to be filled in on the standard form printed and distributed by the Ministry of Finance and sent to the ministry. An original and six copies of the summary financial accountings from the cities of Shenyang, Dalian, Haerbin, Wuhan, Guangzhou, Chongqing and Xian are to be sent to the Ministry of Finance at the same time that they are sent to the provincial departments of finance for examination, verification and compilation. In order to prepare well for the advance year-end accounting report to be given at the NPC, which will convene in late March 1986, all provinces, autonomous regions and municipalities directly under central government jurisdiction will please send to the Ministry of Finance the "Overall Table Showing Receipts and Expenditures" (the current year receipts and expenditures portion) of the Overall Final Financial Accounting after it has been verified and approved by the People's Government. At the same time that they send the "Overall Final Financial Accounting" to the finance departments of their provinces or autonomous regions, coastal cities open to the outside world including Qinhuangdao, Yantai, Qingdao, Lianyungang, Nantong, Ningbo, Wenzhou, Fuzhou, Zhanjiang and Beihai as well as the four special economic zones and the Hainan administrative district are to send a copy to the Ministry of Finance. Specific regulations, final financial accounting forms and other documents pertaining to final accountings from all provinces, autonomous regions, municipalities directly under central government jurisdiction and seven cities specifically listed for the preparation of financial accountings are to be copied for the reference of the Ministry of Finance.

In order to prepare for the advance year-end accounting report to the NPC that is to be convened at the end of March 1986, the "Bank Payment Figures Collated Tables" (including all "verification") that are a part of the final accountings prepared by the collating units in all departments in charge should be reported to the Ministry of Finance before the first week of

February following verification of accuracy and approval by those in charge in units concerned. An original and three copies of all other tables are to be submitted no later than 20 March as in past years to the Ministry of Finance.

The 1985 Central Budget Income Annual Report from the treasuries of all provinces, autonomous regions and municipalities directly under federal government jurisdiction are to be reported to the central treasury before the end of January 1986 following reconciliation and verification of accuracy. In this connection, provincial financial units should make prompt verification and authentication without delay in order to insure on-time reporting on the national treasury.

Preparatory work must also be conscientiously carried out in accordance with the spirit of this regulation for unbudgeted national defense funds. Specific methods are to be prescribed by the General Logistics Department of the PLA, a copy provided to the Ministry of Finance for reference. The principle to be used in drawing up a final accounting of expenses for the People's Armed Police should be to follow the specific methods that the General Logistics Department prescribes for the PLA, the People's Armed Policy Headquarters drawing up the regulations and sending a copy to the Ministry of Finance for reference. An original and three copies of a collated final accounting of expenses of the People's Armed Policy is to be sent to the Ministry of Finance before the end of February 1986.

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FINANCE AND BANKING

HENAN TO ISSUE ROAD CONSTRUCTION BONDS

HK100533 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 9 May 86

[Excerpts] The provincial people's government recently approved the move of the provincial communications department in commissioning the provincial construction bank to issue road construction bonds within the province for 3 years, commencing this year. This is being done in order to rapidly improve the backward state of the province's road communications, speed up road widening and associated projects, and stimulate development. The province will issue 80 million yuan worth of these bonds this year. The amount to be issued in the next 2 years is still to be decided.

The capital raised in this way will be allocated in a unified way by the provincial communications department. It will mainly be used in improving and repairing main roads, and upgrading road surfaces.

Those eligible for purchasing the bonds are units and individuals possessing automobiles. The provincial communications department will allocate the purchasing quotas to the prefectures and cities based on the number of automobiles at the end of last year, and the prefectural and city communications departments will be responsible for organizing the bond purchases.

Enterprises can use their own capital for buying the bonds. They must not use their mobile funds or bank loans or add the bond cost to their production costs.

Annual interest on the bonds will be 3.6 percent, calculated from 1 October each year. The bonds will mature in 5 years. All bonds will be redeemed on the 1 October of the sixth year after purchase.

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MINERAL RESOURCES

XINJIANG TO INCREASE SEARCH FOR NATURAL RESOURCES

OW280753 Beijing XINHUA in English 0636 GMT 28 May 86

[Text] Urumqi, 27 May (XINHUA)--The Xinjiang Uygur autonomous region will step up resource exploration during the 1986-90 period to prepare itself for an economic take-off scheduled for the end of this century.

By 1990, Xinjiang expects to verify oil reserves of 17.5 billion bbl in the Junggar basin and add 300 million tons of coal reserves, said Tomur Dawamat, chairman of the regional government.

The region's crude oil output is expected to reach anywhere from 50.4 million to 56 million bbl by 1990, an increase of 15.4 million to 21 million bbl over 1985.

With an area accounting for one-sixth of the country's total, Xinjiang is rich in natural resources. Some 118 kinds of minerals have been found in the area.

One major task during the five-year period is to step up the exploration of oil and gas in the Junggar basin, Tarim basin and Turpan depression.

Exploration of gold reserves will be conducted in western Junggar, while efforts are to be made to conduct geological surveys on diamond reserves in the south of the Tianshan mountains.

In the west of the Tianshan mountains, exploration will center on phosphorous reserves. Geological surveys will also be conducted of copper, chromium, lead, zinc, iron, platinum and tin.

Hu Yaobang, Zhao Ziyang and other Chinese leaders have time and again stated that by the end of this century, Xinjiang and other parts of the northwest would receive priority in China's economic construction.

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LI PENG DISCUSSES AUTO INDUSTRY DEVELOPMENT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 28 Dec 85 p 3

/Article: "Emphasizing Development of Heavy and Light Motor Vehicles, Li Peng /2621 7720/ Talks About the Course of Automobile Development for the Seventh 5-Year Plan"/

/Text/ State Council Vice Premier Li Peng today pointed out the following at the National Automobile Industry Work Conference: During the Seventh 5-Year Plan, China's automobile industry should proceed along the path of coordination, starting from a high plane, specialization, and volume production. In order to enhance overall control we should digest and incorporate imported technology. On the basis of raising the technical level of medium-sized vehicles, we should also emphasize the development of light and heavy motor vehicles that suit the needs of the people's developing economy.

Li Peng said that in the wake of China's economic development communes and transportation facilities undergoing change, and mobility and flexibility of automobile transportation all showing good results, we should also implement the advantages of "door-to-door" transportation that is now playing more and more of a role with branch railroads. Currently, China's automobile production is mainly composed of 4- and 5-ton medium-sized vehicles, with few heavy and light vehicles being produced. To keep containerized traffic in pace with agriculture commodity production, the development of heavy and light vehicle needs to be emphasized. Cars with low fuel consumption and cheap prices will also be placed higher on the agenda.

Li Peng also pointed out: The one common law of the world's automobile development is that of coordination. China's auto industry, through specialized transportation departments and regional coordination and cooperation of transportation should form a certain number of joint entities and should produce several best-selling products. Development of the auto industry during the Seventh 5-Year Plan should concentrate on tapping latent powers, and by digesting and incorporating imported technology do a good job of technology transformation, raising quality and technology levels, and developing production capacity. The China Automotive Industry Corp. should do a good job of overall control, and formulate development plans and specific and general policies on behalf of the country to guide the auto industry along the path of coordination, starting from a high plane, specialization, and large volume production.

The National Automobile Industry Work Conference opened in Beijing on 21 December, participating in the conference are ministries and commissions under the State Council; the National Defense Science, Technology, and Industry Commission; various provincial and municipal machinery departments; and responsible persons of the automobile industry.

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CSO: 4006/636

INDUSTRY

MAIN ACHIEVEMENTS IN LIGHT INDUSTRY OUTLINED

Beijing ZHONGGUO QINGGONGYE BAO in Chinese 5 Jan 85 p 2

/Article by Chen Zhuanqi /7115 0278 1142/: "China's Light Industry Is Brimming with Vitality and Continuing To Develop, Looking Back at the Main Achievements in Light Industry During the Sixth 5-Year Plan"/

/Text/ During the Sixth 5-Year Plan, the party and state formulated a series of plans, policies and measures favorable to the development of light industry. These effectively spurred the development of light industry, and through the hard work of vast numbers of workers and staff on the light industry front, the main goals of the Sixth 5-Year Plan have been basically realized. With some goals being completed 1 or 2 years ahead of schedule and the face of light industry undergoing a great change.

1. A relatively high rate of increase has been maintained in the development of light industry. The Sixth 5-Year Plan set the gross output value of light industry for 1985 at 131.7 billion yuan, a yearly increase of 7 percent. The actual result was that in 1984 the gross output value had already reached the level of 132.56 billion yuan, attaining the set goal 1 year ahead of schedule. The average annual increase for the first 4 years of the 5-year plan was 9 percent and it is estimated that the total output for 1985 will be 156 billion yuan, which would mean an average annual increase of 10.7 percent. The increase in output value for the 5 years add up to 62.1 billion yuan, or 12.4 billion yearly.

The output volume goals set by the Sixth 5-Year Plan for 33 main products will mostly be met or surpassed, among these, products that attained their goals 2 years ahead of schedule include cardboard, washing machines, plastic products, light bulbs, matches, furniture, electric fans, rugs, and specialized weighing equipment.

2. There were large increases for main products, product quality improved markedly, and numerous new products and varieties were developed. Through 5 years of hard work the production of famous products and products the market was critically short of were redoubled. In comparison with 1980, beer production increased 270 percent, washing machines 3.3-fold, refrigerators 28-fold, and laundry soap, household drinking glasses, and milk products all increased more than 100 percent. The manufacture of famous bicycle brands "Fenghuang,"

"Yongjiu," and "Feige" increased from 5 million in 1980 to 9.63 million in 1985. In addition, locally manufactured brands that accounted for 38.4 percent of all bicycles prdouced in 1980 now account for over 65 percent of all bicycles produced. The attitude of "putting quality first" and wholeheartedly serving the consumer is just now being initiated. Product quality has had marked improvement since 1980, many products have changed long maintained appearances and are now being produced according to international standards. Along with raising the level of production technology, each year over 5,000 new products, varieties and designs were developed. Since 1979, many light industry products have won state gold and silver awards for quality, industrial art Baihua awards and Ministry of Light Industry Excellent Product Quality Awards. Some famous brands have won international gold and silver awards for China. Light industry commodity market sales totaled 484 billion yuan during the Sixth 5-Year Plan and accounted for 36 percent of consumer retail sales during the same period, this played an important role in invigorating town and rural markets and in improving the peoples lives.

3. Through reorganization and reform the economic results of enterprises showed a marked improvement. It is estimated that in 5 years the light industry system accumulated 133 billion yuan in taxes and profits for the state, which is equivalent to 5.5-fold the amount of fixed investment assets of light industry during the same time span. Light industry basically realized increases in production, income from sales, and profits at the same time.

4. Outstanding progress was made by utilizing foreign capital and imported technology. Between 1979 and 1984 the amount used for importing technology and equipment totaled 2 billion dollars. This exceeded the amount spent during the previous 30 years. Most of these imported items have already shown success.

5. Putting emphasis on construction has been strengthened and the technical transformation of enterprises is starting to unfold. It is estimated that the fixed investment assets for light industry during the Sixth 5-Year Plan was 24.33 billion yuan, with investment in capital construction being 9.83 billion yuan and funds for replacement and overhaul totaling 14.5 billion yuan. In 5 years, fixed assets were increased by 22.5 billion yuan. There have been 160 large and medium-sized projects completed and put into operation, and the production capacity of some short production lines has been increased.

6. Integration of the diversified economy has been further developed, such as better coordination between light industry enterprises, between towns and rural areas, and between industry and trade to increase exports, and better coordination and cooperation between factories, educational institutions and scientific research, design and equipment manufacturing departments. In practice it has been proven that "light industry relies on coordination," it is the road that China's light industry development must follow.

7. New developments in science and technology and personnel training have been made. During the Sixth 5-Year Plan, the majority of key state S&T research projects that light industry was responsible for were completed, with 25 of these projects earning state invention awards. S&T achievements were used to spur on light industrial production, which made gratifying results. The number

of students in educational institutions directly under the Ministry of Light Industry reached 13,200 during 1985, an increase of more than 100 percent over 1980. Various forms of adult labor education made especially rapid progress, these programs trained many qualified technicians and managers for light industry.

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SHIPBUILDING TECHNOLOGY RAPIDLY IMPROVED

Beijing CHUANBO SHIJIE in Chinese 31 Jan 86 p 1

[Article by Hong Lun [3163 0178]: "China's Shipbuilding Technology Rapidly Raised. Capable of Producing Ships to International Standards of the Eighties."]

[Text] China's shipbuilding industry started to enter the world market in the Sixth 5-year Plan. Exports contributed to the overall enhancement of technology, rapidly narrowing the gap with the world's advanced technology; now China is capable of producing civilian vessels to world standards of the eighties.

China has the capability to build the principle types of vessels existing in the world today. During the Sixth 5-year Plan de China State Shipbuilding Corp. built a total of 38 types of civilian vessels of 3000 tons or more, of which 26 were newly developed in the Sixth 5-year Plan. A 50,000 ton tanker, surpassing the largest vessel tonnage to date, and a 65,000 ton tanker, a 64,000 ton general cargo ship, a 69,000 ton refined oil tanker, and a 115,000 shuttle tanker that have been built or are now under construction, have basically made fullest use of China's present shipbuilding docks. As for vessel types, development has advanced from general cargo and multi-purpose ships to multi-purpose container ships, full container ships and Ro-Ro vessels that are structurally sophisticated and that require high technology, and to special purpose vessels such as refined oil tankers, automobile ferries, and shuttle tankers. All these vessels are highly automatic. Some engine rooms are remote controlled for 16 hours, some for 24 hours, keeping crew to a minimum and reducing operating costs. Except for liquified natural gas carriers and chemical carriers, for which no orders have been received, China has built or is building the principle types of vessels in the world.

China has solved shipbuilding problems by using international advanced standards. In the past, China only built ships complying with her own and Soviet shipbuilding specifications, because in fact China didn't have much printed information on other countries' specifications. But in a few short years, China completed a fleet of ships that meet world famous maritime classification societies specifications such as British, Norwegian, American, German, French, and Japanesse; moreover, all the essential techniques, equipment, and quality in the building process have been under their strict control and obtained their approvals. In addition to having built vessels for export that fly flags of convenience, China has also built ships flying the flags of the United States, Germany and Norway, internationally known for stringent requirements for vessels flying their flags; such stringency has added greatly to the difficulty of shipbuilding. A modern ship is not only required to meet relevant international convention provisions, it must also comply with the stipulations of a particular sailing zone and a particular port. All oceangoing vessels China has exported have met these requirements. And the facts show that China is already capable of building vessels that meet any international specification, fly any flag, and sail in any sailing zone.

The quality of the vessels has also caught up with world standards. In the past, foreign merchants generally cast doubt on the quality of vessels exported by China because they were unaware of the capability of our shipbuilding industry. By having passed the international ship surveyors inspections during the building process, and especially sailing tests conducted under various post delivery conditions, China's exported vessels are now generally accepted as excellent in quality. One executive of an international classification society evaluated Chinese made vessels as "reasonable in price and excellent in quality." Many shipowners sent letters or telegrams to China expressing praise and appreciation. All their doubts and worries have disappeared, and in place they are full of confidence in the quality of China's vessels, and indicate interest in placing additional orders as soon as the shipping market rebounds. It is because ships exported by China excel in quality and because China has built a good reputation in the world market that China has attracted the world shipbuilding circle's close attention as a new vessel exporting nation.

The quality of domestic vessels is also catching up with that of exported vessels. One hundred percent of the domestic ships have been awarded for consistent improvement in product quality.

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CONSTRUCTION

CONSTRUCTION BUSINESS, CAPITAL CONSTRUCTION SYSTEM ADVANCES

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 19 Dec 85 p 3

/Article by Liu Yongya /0491 3938 0068/: "Reform in Construction Business and Capital Construction System Scores Achievements, Arousing the Enthusiasm of Workers and Raising Economic Results"/

/Text/ This reporter learned the following from the recently concluded National Symposium on Reform of the Construction Business and Capital Construction Management System: During the Sixth 5-Year Plan, China's construction business and capital construction management system underwent some important reform and achieved remarkable success in many areas.

--Construction projects have practiced contracted responsibility-delegation decisionmaking power-delivery of profit combined investment responsibility system to effectively overcome corruption in unrestrained spending and eating out of the state's "big pot" which has led to a reduction in investment. The Shanghai Paotow Steelworks achieved success with this method when they started using it in 1981 during the first stage of the project. The leading comrades of the Central Committee gave a high appraisal of this method and have decided to employ it during the second phase of the project. Of the 600 projects under construction throughout China, over 300 have adopted the investment responsibility system.

--Competitive bidding has been opened up for project construction contracts, resulting in reduced construction costs and shorter construction periods. Civil construction projects started this year, as a result of competitive bidding, have on the average reduced construction costs by 6 percent and shortened construction times by an average of 20 percent.

--Design units and state-run construction units have implemented technical and economic responsibility systems and the method of establishing an amount of work required for 100 yuan of wages, linking workers income to work results. This has aroused the worker's enthusiasm and spurred the development of the design and construction business.

--Investment funds from the national budget have changed from just being allocated to being payment for goods, and have changed from being free to funds that must be repaid. These changes have strengthened the investment users' sense of responsibility and ideas on how to get results. After implementing this method, some construction projects had construction time shortened by various degrees and increased benefits from investments. The more than 30 billion yuan allocated for capital construction in this year's national budget has all been changed to be used as money for goods. The funds raised by many provinces, autonomous regions, and municipalities have also been changed from simply being allocated to being used as money for goods.

--Contracting materials and equipment out as complete sets of the supply of construction materials and market adjustments has advanced the work of material supply for construction projects.

--In the area of organizational management of construction projects, some project-contracting companies have been formed. This form of organization has resolved the situation in the past of forming teams for a project and then disbanding them after completion of work, these teams only had training one time and did not have the opportunity of continued experience. This has started a way for better organization of project development.

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DOMESTIC TRADE

CAPITAL EXPORTS TECHNICAL KNOWLEDGE, IMPORTS PRODUCTS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Jan 86 p 3

[Article: Beijing Bolsters Economic and Technical Cooperation With Other Parts of the Country. Transfers More Than 2,000 Technical Achievements to Woolen Textile and Leather Industries; Brings In a Number of Well-Known, Top Quality Products Through 62 Joint Business Accords"]

[Text] A 2 January XINHUA NEWS AGENCY dispatch from Beijing has reported Beijing Municipality's vigorous expansion of lateral economic links. Economic and technical agreements concluded during the past several years have earned marked economic and social benefits. The city has entered into cooperation with 28 provinces, municipalities and autonomous regions, signing more than 1,700 agreements with them totaling more than 300 million yuan.

Beijing has followed the principles of "making the most of strengths and avoiding weaknesses, diverse forms, mutual benefit and mutual interest, and joint development." It has done a good job of balancing imports and exports, carrying out a multifaceted economic exchange of technology, talent and materials.

Beijing's strengths in production technology, managerial experience and the training of talent have been diffused outward. For several years, the city has trained more than 2,000 managerial and technical personnel in the woolen textiles, leather, paper manufacturing, food, electronics and farm machinery fields for other provinces and municipalities, and it has sent out several hundred specialists to provide consultation and guidance. It has also transferred more than 2,100 scientific and technical achievements to other places. The main Beijing Glass Manufacturing Plant sent technical personnel to help the glass manufacturing plant at Shijushan in Ningxia Province improve its technology and increase mechanization. As a result, this plant's rate for meeting specifications reached more than 90 percent; it turned losses into profits, and its products sold well throughout northwestern China. Educational and health units in Beijing also trained nearly 1,000 college students, teachers, and professional medical personnel for other jurisdictions. A number of teachers and medical personnel from Beijing also travelled to Nei Monggol, Xinjiang, Shanxi and Gansu to provide instruction and medical treatment and to spur the economic and cultural development of fraternal areas.

Initiative in putting to use the products, capital, and raw materials of other areas has hastened development of Beijing's tertiary industries. This has enlivened the production of commodities in suburban rural villages. During the past several years, Beijing has entered into joint accords with other provinces and municipalities on 62 urban services and has imported large quantities of well-known, top quality local products. Today there are 42 different restaurants in the capital offering the flavors characteristic of various areas, providing the people of Beijing with more than 11,000 different dishes. Beijing has also made agreements with some provinces and municipalities for their establishment of bases for the production of non-staple foods including aquatic products, beef and mutton, vegetables and fruits. It has brought in large numbers of fish fry and vegetables from Jiangsu, Zhejiang, Hubei and Hebei provinces that have played a major role in fresh water fish production, in evening out market prices for vegetables, and in solving the problem of vegetables for an urban population of nearly 10 million.

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CSO:4006/595

DOMESTIC TRADE

INDUSTRIAL PARTNERSHIPS EXPAND PRODUCTION

Shanghai WEN HUI BAO in Chinese 19 Nov 85 p 1

[Article by Ying Yan'an [2019 1693 1344]: "Lateral Internal Partnerships Highly Successful For Shanghai Economic Zone Light Industry"]

[Text] The correspondent obtained the following information yesterday: Shanghai Economic Zone light industry has scored outstanding successes in the course of carrying out lateral economic partnerships. Preliminary statistics show that during the past 2 years 2,462 enterprises have instituted economic partnerships. As a result of these partnerships, these enterprises have added 2.63 billion yuan in output value, increasing profits by 280 million yuan.

The Shanghai Economic Zone Planning Office of the State Council and the Ministry of Light Industries convened a conference in Yangzhou a few days ago to summarize and exchange experiences and to discuss the situation concerning the launching of lateral economic partnerships of light industries in the Shanghai Economic Zone. Since 1984, the bicycle, wristwatch, sewing machine, household electrical appliances, clothing, toy and food industries in the Shanghai Economic Zone light industry system have instituted widespread economic partnerships that cut across provincial and municipal boundary lines and that vary in form. There have been industrial partnerships transcending provincial and municipal boundaries that have used name-brand products as a "turnkey," and there have also been joint venture operations, designated brand production, production and marketing partnerships, division of profits from technical investment, technology transfers and technical development, and technical cooperation. Reportedly joint venture enterprises in four provinces and one city have played a more than 66 million yuan role in areas that cut across provincial and municipal boundaries. The Shanghai Municipal Light Industry Bureau provided support in the form of more than 300 pieces of advanced equipment to places outside Shanghai through economic partnerships that cut across provincial and municipal lines. Batch production of name-brand Shanghai bicycles, wristwatches and sewing machines has expanded in Jiangsu, Zhejiang and Anhui provinces. During 1985, production of Yongjiu and Fenghuang bicycles expanded by 1.19 million units and production of Shanghai name brand wristwatches and sewing machines totaled 1 million and 210,000 units respectively.

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DOMESTIC TRADE

ACTIVITIES OF ECONOMIC ZONE BASED AROUND CHONGQING REPORTED

Beijing RENMIN RIBAO in Chinese 18 Jan 86 p 2

[Article by Correspondent Huang Wenfu [7806 2429 4395]: "Steady Expansion of Chongqing's Lateral Economic Partnerships. Based In the Southwest, Geared To the Needs of the Southwest, Serves the Whole Country, and Advances Toward the World"]

[Text] In the course of a comprehensive restructuring of its economic system, Chongqing City has vigorously expanded lateral economic partnerships. Today, not only is Chongqing carrying out close regional cooperation with Sichuan, Yunnan, Guizhou and Guangxi provinces in southwestern China, but it is also building long-term economic and technological cooperation with Liaoning, Gansu, Shaanxi, Qinghai, Xinjiang and Guangdong. Chongqing has signed more than 1,100 cooperative agreements of various kinds with other places, 60 percent of which have been implemented or are in process of being implemented.

Work from the southwest, serve the southwest, gear to the needs of the whole country and advance toward the world is the program Chongqing follows in the development of lateral economic partnerships. This means both an outward radiation of its own strengths and making use of the advantages others possess to remedy its own disadvantages for a steady strengthening of its own economic power and overall service capabilities while making use of the multi-functional role of its key urban economy. Chongqing has emphasized work in the following regards:

Entering into industrial cooperation with other places using Chongqing's existing human talent and the leading position of its enterprises in technology and products. Among the cooperative industrial organizations established with four provinces and regions in southwestern China by leading enterprises in Chongqing are 19 paper industry federations and leather industry societies. The Wufang Chinese Medicinal Herb Economic Cooperation Society, which was established more than 1 year ago, has had transactions totaling more than 70 million yuan. Owing to the dominant position enjoyed by name-brand products such as "Tianfu Cola", which is produced by the Chongqing Beverages Plant, 66 jointly operated branch plants were set up in 25 provinces, cities and autonomous regions throughout the country, making the beverages plant the largest one in the whole country.

Bolstering of cooperation in many regards with large and medium size cities for the gradual formation of a key urban economic cooperation network. Chongqing reached an accord with Chengdu, Kunming, Guiyang, and Nanning in southwestern China on the strengthening of economic ties and cooperation among the five cities, including the circulation of goods, cooperation in materials and goods, jointly operated enterprises, joint exploitation of natural resources, scientific and technical cooperation and jointly operated tourism. The accord also called for establishment of a joint conference of the mayors of the five cities. Recently, Chongqing together with Shanghai, Nanjing and Wuhan jointly initiated establishment of an economic cooperation society of key cities along the Chang Jiang.

To make the most of Chongqing's economic advantages, and actively support southwestern minority nationality areas and economically undeveloped areas. In 1984, Chongqing and Guang'an County in northern Sichuan Province entered into economic and technical cooperation geared to needs and reached agreement on more than 30 tasks.

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FOREIGN TRADE AND INVESTMENT

MILITARY INDUSTRY MAKES FIRST PUSH TO EXPORT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Jan 86 p 1

[Article by Correspondent Chen Zhiqiang [7115 2535 1730] and Correspondent Luo Hankui [5012 3352 1145]: "Military Industry Sector Transfers Technology Abroad. To Hold First Trade Fair at Shenzhen During April. More than 1,000 Technical Achievements To Be Put on Display."]

[Text] The Chinese military industry sector, which has been a closed area for the past more than 30 years, will hold a large trade fair for the export of technology for the first time in April 1986 at Shenzhen in Guangdong Province. The fair will feature mostly the transfer of military industrial technology for civilian use and will be known as the Chinese Shenzhen Technology Trade Fair.

The more than 1,000 technical achievements to be displayed at the fair will be provided by nine trade groups connected to the Ministry of Ordnance Industry, the Ministry of Aeronautics, the Ministry of Astronautics, the Ministry of Nuclear Industry, the Ministry of Electronics Industry, the Chinese Shipping General Corporation and the PLA. Among the items displayed will be more than 130 that have won national invention prizes and national progress awards, including a miniature nuclear reactor and an operational heated and pressurized qiangzhushi [1730 3137 1709] plugging technology for stopping leaks as part of a total of nearly 100 items that meet advanced international standards.

In recent years China's national defense science and technology industrial sector has transferred large amounts of technology used in the armed forces to the civilian area, providing marked benefits thereby to all sectors of the national economy. The two technology trade fairs held in 1985 that were geared to domestic needs displayed a total of more than 16,000 items, and contract transactions totaled nearly 700 million yuan.

Reportedly numerous technical achievements of national defense industrial departments and units have not yet been displayed. The items displayed in the two trade fairs held in 1985 represented only one-tenth of total technical achievements.

Items displayed in this exhibition contain some technology offered outside the country for the first time by the military industrial sector. They relate to the nuclear, energy, communications, environmental protection, chemical industry, metallurgy, machinery, light industry, textile, building materials, food, medical treatment and agricultural fields.

This fair is to be jointly run primarily by the National Defense Scientific and Technological Commission in conjunction with the State Council Science and Technology Leadership Team Office, the State Economic Commission, the State Science and Technology Commission, the Guangdong Provincial Government and the Shenzhen Municipal Government.

The person responsible for preparing this trade fair said that in order to accommodate foreign friends and firms, plans called for the Chinese Shenzhen Technology Trade Fair to open around the time of the 1986 Chinese spring trade fair in Guangzhou.

He said foreign firms and scientific and technical groups carrying their own technology to exchange would be welcome. The Chinese national defense science and technology industrial departments will following the principles of displaying technology, facilitating the flow of information, promoting exchanges, and seeking cooperation and joint prosperity. They will establish broad relationships with foreign firms and scientific bodies and carry out technological trade and cooperation.

This fair will expand the scope of business transactions. Not only will it hand over technology, provide technical services and technical consulting, but it will also hold talks on the commissioning of research, on the tackling of key technical problems and on technical transformation activities as well as on technical cooperation joint development and joint ventures. In addition, it will discuss the contracting of project prospecting, design and construction, and the continuation of activities such as the training of administrative, managerial and technical personnel.

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FOREIGN TRADE AND INVESTMENT

INTERNATIONAL GARMENT MANUFACTURERS EXHIBIT EQUIPMENT

OW131041 Beijing XINHUA in English 0947 GMT 13 May 86

[Text] Beijing, May 13 (XINHUA)--Over 60 manufacturing firms from throughout the world are displaying their garment making equipment at an exhibition that opened here today at the China International Exhibition Center.

Jia Shi, president of the China Council for the Promotion of International Trade, told XINHUA the exhibition "provides a good opportunity for Chinese and foreign garment technicians to learn from each other."

With the "improvement of the urban and rural people's living conditions, people increasingly ask for well-designed and tailored garments," he said.

Garments have also become one of China's key export commodities, generating more than U.S. $1.4 billion in 1985, according to an official of the China National Garment Industry Corporation.

China now has more than over 6,800 garment factories, he said.

To supply domestic and export markets, said the official, over the last few years China has been importing garment production lines and processing equipment from the Federal Republic of Germany, Japan and the United States.

These countries as well as others including France and Britain are displaying computerized equipment for designing, tailoring and embroidering clothes, multi-function sewing machines, packing machinery and other garment manufacturing machines.

The 7-day exhibition is jointly sponsored by the China Council for the Promotion of International Trade and SHK International Services of Hong Kong. During the exhibition, leaders of China's garment industry are expected to discuss trade and cooperative ventures with the exhibition participating firms.

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CSO: 4020/339

FOREIGN TRADE AND INVESTMENT

MACHINE-BUILDING OFFICIAL SAYS EXPORTS TO INCREASE

OW281800 Beijing XINHUA in English 1743 GMT 28 May 86

[Text] Beijing, May 28 (XINHUA)--To boost China's exports, electrical machinery manufacturers here are looking to markets in Australia, Japan, New Zealand and the countries of North America, a high official said today.

Zhao Mingsheng, vice-minister of the machine-building industry, told a news conference today he expects industry exports to reach U.S. $4 billion by 1990, up from $1.3 billion in 1985.

Electrical machinery exports are "imperative," because of changes in the price on the world oil market, he said.

According to Zhao, so far this year government agencies have already signed electrical machinery export contracts worth $600 million.

Over the next 5 years, he said, primary export products will be machine tools, electrical generators, farm machinery, engineering equipment, motor vehicles and mining equipment.

Zhao said he expects to increase China's share of the New Zealand market with mechanized farm tools, electrical machinery, irrigation and mining equipment and machine tools.

To Japan and North America, he said, China will compete with other export nations to sell products in demand but not locally produced.

To make sure sufficient products are available for export over the next 5 years, the government will open 70 new export-oriented enterprises and give more decision-making powers regarding foreign trade to another 130 state-owned operations.

The industry now exports more than 300 products to 130 countries and regions, but its share of the world market remains small.

As it grows, Zhao said, China will develop an international marketing and service network.

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CSO: 4020/339

FOREIGN TRADE AND INVESTMENT

BOHAI BAY 'ECONOMIC RING' PROMOTES INTERREGIONAL COOPERATION

OW300628 Beijing XINHUA in English 0601 GMT 30 May 86

[Text] Tianjin, May 30 (XINHUA)--Fourteen cities and prefectures along the coast of China's Bohai bay have organized themselves into an economic cooperation organization under the current policy of encouraging inter-regional cooperation.

The Tianjin-based organization, called "the Bohai Bay economic ring," consists of five cities and prefectures in Liaoning Province, three in Hebei, five in Shandong and the Tianjin Municipality.

Economists describe the areas along this section of the coast in northern China as constituting the country's "golden necklace," in that they are among the best developed areas in China.

Dalian and Yingkou in Liaoning, Qinhuangdao in Hebei, Yantai and Qindao in Shandong as well as Tianjin are important foreign trade outlets and industrial centers. Tangshan in Hebei is a major coal mining area, producing about 20 million tons a year.

The Bohai bay economic ring, set up in Tianjin Thursday, aims at coordinating the efforts of the participating areas to expand foreign trade, according to a spokesman for the organization.

Projects planned for the objective include exchange of information, coordinating the use of ports, and joint production of export goods.

The authorities of the participating areas will also work together to develop natural resources by setting up production centers of industrial raw materials and aquatic products. Meanwhile, they will supply each other's needs.

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FOREIGN TRADE AND INVESTMENT

FUJIAN'S ROLE IN ATTRACTING FOREIGN TECHNOLOGY SKETCHED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Jan 86 p 3

[Article by XINHUA NEWS Correspondent Wang Weizhong [3769 3555 0022]: "Fujian Province Builds a Multi-Level System For Opening Up to the Outside World. More Than 10 Foreign Trader Privately Funded Enterprises and More Than 600 Joint Enterprises Come Into Being. Industrial and Agricultural Product Exports Sent to 121 Countries and Regions"]

[Text] One after another passenger aircraft from Beijing, Shanghai, Guangzhou, Hong Kong, Nagasaki and Manila land safely at Xiamen and Fuzhou, and cargoes in a steady stream enter Dongdugang in Xiamen. It is possible to pick up a telephone in Xiamen and deal directly with all the country's major cities as well as with Hong Kong, the United States and Japan.

Fujian Province, which is one of the earliest provinces in the country to have opened the door to the outside world, has an economic structure that has gradually changed from the closed to the open kind. From its axis along the coast, it radiates both overseas and to the interior of the country. Now Fujian has taken the first steps in establishing a multi-level, multi-function system that is open to the outside world and that includes the Xiamen Special Economic Zone, the open city of Fuzhou, the Fuzhou Economic and Technical Development Zone and the southern Fujian "triangular" open economic zone. More than 20 provinces and autonomous regions as well as the Ministry of Aeronautics, the Ministry of Astronautics, the Ministry of Coal, the Ministry of Nuclear Industry, and the Ministry of Electronics Industry plus eight noted institutions of higher education have established offices in Fujian to promote cooperation in the fields of economics, technology, skilled people and information. More than 128 countries and regions have economic intercourse with Fujian Province.

In the process of carrying out the open door policy, the economy of Fujian Province has begun to take off. During the past 5 years the gross output value of the province's industry and agriculture has increased by about 10 percent each year, and total financial revenues have exceeded the Sixth 5-Year Plan by 29 percent. Agricultural and industrial products are being exported to 121 countries and regions including Hong Kong, Japan, the Federal Republic of Germany, Malaysia and Sweden. In 1985, Fujian exceeded its foreign trade export plan for the whole year 2 months ahead of schedule.

Efforts by Fujian Province in recent years to invest in the building of airfields, harbors, communications, power stations and such basic facilities have begun to bear fruit. In addition, the training and importation from elsewhere of talent in various fields has also shown very great advances. They have built long-term relationships for cooperation in skilled people with institutions of higher learning such as Qinghua University, Fudan University and Tianjin University. In recent years, Fujian Province has brought into the province more than 3,000 people skilled in various fields.

The fine climate has attracted large numbers of investors. Since the opening to the outside world, the province has attracted more than $700 million in foreign investment. Foreign traders who have made investments come from more than 10 countries and regions. The field of investment has gradually expanded from the former clothing, electronics and tourism industries into energy, communications and fine chemical industries. Today more than 600 Chinese and foreign joint venture and cooperative enterprises and more than 10 enterprises independently funded by foreign traders have made their appearance in Fujian.

Simultaneous with Fujian Province's attraction abroad has been an enthusiasm for providing a "window" on the outside world for all provinces, municipalities and autonomous regions as well as for all departments of the central government. Today 7 provinces, municipalities and autonomous regions, 16 cities and 15 central government units have established offices in the Xiamen Special Economic Zone.

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FOREIGN TRADE AND INVESTMENT

FOREIGN BANKING INSTITUTIONS INCREASE IN GUANGDONG

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 4 Jan 86 p 3

[Article by Wang Qiang [3769 1730]: "Spurt in Guangdong's Foreign Finance and Banking Activities. Foreign Banks Have Set Up 41 Finance and Banking Institutions. Eight of the World's 10 Large Banks Have Set Up Organizations"]

[Text] During 1985 a total of 20 foreign banks set up external finance and banking institutions in Guangdong. This is nearly the total of external finance and banking institutions set up by foreign banks in Guangdong Province during the past 4 years. Four of the 20 foreign banks that established external finance and banking institutions in Guangdong during 1985 were among the top 10 world banks (in terms of total assets) in 1984. Today eight of the world's 10 leading banks have established offices or agents in Guangdong. They are the Japanese Dai Ichi Kangyo Bank, the Japanese Fuji Bank, the Japanese Sumitomo Bank, the Japanese Mitsubishi Bank, the American National City Bank, the Japanese Sanwa Bank, the French Banque Nationale de Paris, and the French Banque Credit Lyonnaise.

As of the end of 1985, foreign banks having external financial and monetary institutions in Guangdong totaled 41. Shenzhen had most with 21. Next came Guangzhou and Zhuhai.

In accordance with Chinese People's Bank regulations pertaining to methods of regulating overseas Chinese and foreign banking and financial institutions, foreign banks are permitted to establish branch banks or branch institutions in special economic zones such as Shenzhen and Zhuhai and to carry out banking and financial activities within a certain sphere. However, in Guangzhou and other places, they are permitted only to set up officers for the purpose of liaison and to provide advice to clients.

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FOREIGN TRADE AND INVESTMENT

SHENYANG PLANS INCREASE IN EXPORTS, INVESTMENT IN INDUSTRY

HK270400 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 27 May 86 p 5

[By Gene Linn, recently in Shenyang]

[Text] The city of Shenyang, China's biggest machinery manufacturer, is applying its enormous industrial muscle to the nation's push to increase exports and investment.

The drive will spawn numerous changes in this city of 5.3 million people, which is the capital of Liaoning Province. The city's industrial production amounts to 16.2 billion yuan (about HK $39.36 billion). It is also a transportation centre, as railroads and highways funnel from the northeast to the port at Dalian.

The city has branch offices of 14 national import/export corporations. Shenyang also recently gained the power of a province in economic planning.

"That's one less layer of red tape for businessmen," said Mr John Parker, economic officer in the U.S. Consulate in Shenyang.

City authorities can approve projects involving up to U.S. $5 million in foreign investments or imports.

Another change is the plan to increase light industry's share of production from 35 to 40 per cent.

"We emphasize light industry because the profit is higher and there's greater export potential," said Mr Tong Lianyi, an official at Shenyang's Foreign Economic Relations and Trade Bureau.

"It's essential to reach international markets."

Factories that make less profit from exports than from domestic sales will be eligible for compensation by the government, Mr Tong said.

The city will also set up factories expecially for exports, such as the First Machine Tool Factory.

The emphasis for exports this year will be on electrical machinery, machine tools, electrical cables, valves and water pumps.

Shenyang already exports large quantities of textiles, vitamins, fur coats, silk flowers and pottery.

The city will give light industrial factories more foreign exchange to encourage them to improve their products and export more, said Mr Tong.

The central government offers further encouragement by returning a larger share of foreign exchange earned by Shenyang factories.

Last year, Shenyang's share from individual factories rose from 20 to 25 per cent each. And state investment rose from 1.4 billion yuan in 1984 to 1.6 billion last year.

Foreign exchange investment during the period climbed from U.S. $30 million to $100 million--despite the overall restrictions that China imposed to protect dwindling reserves.

"The central government is restricting foreign exchange investment in ordinary construction, such as housing," said Mr Jin Sen, chief of the Comprehensive Section of the Shenyang Municipal Planning and Economics Committee.

"Investment for energy and transportation projects has not been cut."

Shenyang plans to supplement state investment with overseas funds. From 1983 through October last year the city agreed to 383 projects involving U.S. $270 million in foreign investment.

Mr Tong said the 11 joint ventures in operation are all profitable. Future terms will be more favourable for overseas investors, but the final terms have not been set.

Shenyang has applied to Beijing for permission to build an Economic and Technical Development Zone offering preferential treatment.

"If that's not approved, the policy will be loosened somewhat," said Mr Jin.

"It will be almost the same as the 14 open coastal cities."

Officials said present joint ventures in services and light industry will run for 10 to 15 years.

Projects in other areas might be in effect longer.

Joint ventures must export 70 to 75 per cent of their production. Shenyang emphasises renovation of old enterprises, but also hopes to attract investment in new fields such as scientific instruments and vacuum technology. The city also seeks investment to help exploit the area's abundant natural resources, according to Mr Hao Yongzhi, chief of the provincial National Land Division.

These resources include coal, iron, jade, marble, magnesite, cobalt, molybdenum titanium and copper.

One nearby region has promising diamond deposits.

As is the case elsewhere in China, Japanese businessmen are taking the best advantage of opportunities in Shenyang.

The Japanese have something extra going for them here and in the rest of Liaoning: familiarity gained during decades of occupation until the end of World War II.

Liaoning's imorters have been attracted to low prices offered by the Japanese, but the Chinese are wary of letting Japan eliminate the competition. Hong Kong businessmen also have a foothold in Shenyang. Two of the six foreign representative offices in the city are from Hong Kong (the others are Japanese).

Foreign businessmen face a number of problems in Shenyang.

The nightlife is virtually non-existent, they said, and top-flight hotel rooms are scarce. Transportation is below par. There is no international airport and no direct flight from Hong Kong. Shenyang also is a bottleneck for passenger and freight rail traffic.

Not surprisingly, transportation is receiving special attention for development along with communications.

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FOREIGN TRADE AND INVESTMENT

BRIEFS

BOHAI GULF BUSINESS EXHIBITION--Tianjin, June 2 (XINHUA)--An international exhibition of business opportunities around the Bohai Gulf in northern China will be held in Tianjin from November 15 to 20, it was announced today. The Bohai area is a major industrial and agricultural production center, said Xia Muyu, manager of the Tianjin International Exhibition Company. It is rich in natural resources. Foreign business people from more than a dozen countries and regions will participate in the exhibition. And enterprises from the port cities of Dalian, Qinhuangdao, Tianjin, Yantai and Qingdao will also take part. During the event, business talks will be held on the establishment of sino-foreign joint ventures and co-operative enterprises, and the import of advanced technology and equipment. The exhibition will be sponsored by the Tianjin branch of the China Council for the Promotion of International Trade and the China International Trade Fair of Hong Kong. [Text] [Beijing XINHUA in English 1410 GMT 2 Jun 86 OW] /8918

CSO: 4020/339

SPECIAL ECONOMIC ZONES

SHENZHEN TO OFFER MORE TAX CONCESSIONS

HK130733 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 13 May 86 p 1

[By Paul Sham]

[Text] Shenzhen is shortly to offer more tax concessions to foreign banks to maintain their interest in setting up branch offices, according to banking sources.

Because of spending cuts by authorities and companies in the Shenzhen special economic zone and high banking overheads there, many foreign banks have retreated from their previous enthusiasm for setting up branch offices, sources said.

Recent implementation of the second border separating Shenzhen from the rest of China, and the central government's ambiguous attitude towards the zone's development, have also dampened foreign banks' interest.

The sources added that they had been told by Chinese banking officials that the tax concessions, which have been circulated among foreign banks since March, will be officially announced very soon.

Concessions will include a further extension of the 5 year exemption of banks from the 3 per cent consolidated industrial and commercial tax. The exemption was introduced last year.

In addition, the sources said, banks will be exempted from the controversial 10 per cent interest-withholding tax on borrowings from foreign sources, except on any portion of interest above the international interbank rate.

Even with the exemption, the sources said, Shenzhen banks' average profit on loans of around 0.3 per cent is still very thin.

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CSO: 4020/339

LABOR AND WAGES

BRIEFS

LABOR SERVICE COMPANIES' PERFORMANCE--Beijing, 5 May (XINHUA)--According to statistics, the 45,000 labor or so service companies of all types and at various levels in the country found employment for over 6 million people last year, replacing the jobs of more than 10 million. According to information released at a current national meeting of directors of labor and personnel departments or bureaus, the development of labor service companies has been characterized by the following three trends: First, they have extended into towns and townships. Labor service companies founded last year are mostly run by counties, towns, and townships. They have found jobs for many non-agricultural personnel, thereby effectively guiding the flow of labor forces from the rural to the urban areas. Second, their economic efficiency has been remarkably enhanced. The number of jobs placed by the labor service companies last year increased 10.2 percent over the previous year, but their output value, total sales, and labor service revenues rose by nearly 40 percent, while profits were up by more than 50 percent. The per capita output value by labor service companies at various levels in Shanghai rose from some 4,000 yuan to over 12,000 yuan. Third, the quality of pre-employment training has also been improved. Currently, labor service companies run a total of some 1,200 job-training centers and 470 field-training farms and shops. They are capable of training 600,000 people annually. In Jilin Province, the ratio of those who found jobs after undergoing training increased to 88 percent last year. [By Sun Yong] [Text] [Beijing XINHUA Domestic Service in Chinese 0805 GMT 5 May 86] /8309

CSO: 4006/1031

POPULATION

PAPER CALLS FOR END TO CUSTOM OF BRIDE PRICE

OW231445 Beijing XINHUA in English 1415 GMT 23 May 86

[Text] Beijing, 23 May (XINHUA)--Asking for betrothal gifts, a feudal custom left over from old China, must be thoroughly eliminated in order to ensure that China's rural youths enjoy the right to choose their spouses of their free will.

The newspaper, CHINESE WOMEN, today appealed to authorities at various levels to pay attention to the problem and take "effective measures" to resolve it.

Based on a survey earlier this year, the paper reported some "representative" cases involving such gifts of up to 10,000 yuan.

In the past five years, it said, the income of the rural population has increased 110 percent, but the bride price has soared about ten-fold on the average. The price does not cover the building cost of new homes and the wedding expenses, the paper added.

The survey was conducted by the paper, together with two youth magazines. It shows that to many parents, getting a son married is an "unbearable" burden.

In old China, the most fearful thing was to have a son pressed-ganged into the (Kuomintang) army," the paper quoted some older peasants as saying. "Now, it is to have a son married."

The paper and the two magazines issued a questionnaire on marriage in the countryside, and have so far received answers from 4,000 people all over the country, in addition to 1,000 letters on the same questions.

Ninety-eight percent of those who answered the questions support the free choice of spouses, CHINESE WOMEN said. For the majority, their primary concern is whether their future husbands or wives are educated and have moral integrity.

The financial conditions of the families of their future spouses are only the eighth consideration, the paper said.

Most girls are of the opinion that they don't care much about money so long as their future husbands are well educated and have production skills, it reported. "This shows a healthy trend of thinking among China's rural youths, a trend resulting from the current policies of encouraging rural prosperity," the paper noted.

But asking for betrothal gifts often frustrates the "rightful" desire of young people to seek true love, and this has resulted in many social problems.

In addition, many parents have no money to expand production when they have to spend all their savings--and sometimes have to borrow--in order to get their sons married.

/9738
CSO: 4020/341

POPULATION

CONTEST EMPHASIZES IMPROVING CHILD REARING

OW261619 Beijing XINHUA in English 1509 GMT 26 May 86

[Text] Beijing, 26 May (XINHUA)--A primary-school girl asked her mother to accompany her to the cinema. Her mother hesitated for a while and told her daughter she'd better go there with her little friends.

The mother, Lou Fang, said if this had happened a month ago she would have agreed without hesitation, but a contest on child-raising had helped her to realize she must let her only daughter be independent.

Mrs. Lou, a factory worker in her 30's, was one of the 10 who won the first prize at the contest.

More than 100,000 Beijing people took part in the contest which resulted in 10 first, 50 second and 100 third prize winners here today. Among the 10 first-prize winners there were four young mothers, five young fathers and one grandmother. The contestants included workers, farmers, teachers, doctors and nurses.

On 5 April, the BEIJING EVENING NEWS published the questionnaire for the contest. The circulation increased to one million that day. There were 100 questions ranging from child education and psychology to child hygiene and care. The questions included such things as "what should be included in the children's everyday diet? and how many green vegetables should a child eat every day?"

One multiple-choice question is designed like this: "a two-year-old has a habit of nibbling between meals, the best way is (1) to buy her between-meal snacks as little as possible, (2) to tell the baby it is harmful to nibble between meals, (3) to put the between-meal snacks where she can't reach them."

The contest was aimed at popularizing the common knowledge of raising and educating children and guiding parents to foster children in a correct way, according to Lu Chang, vice-chairwoman of the Beijing Women's Federation.

It is important to the state, society and families to help all parents understand how to raise their children scientifically, she said, now that the country encourages the one-child family policy for most urban residents.

In Beijing, as elsewhere in China, many parents hope their only child will grow up healthily but know little about how to raise them scientifically.

The activity was sponsored by the Beijing Women's Federation, the Beijing Family Education Research Association and three other units.

The answers to the questions will come out in two magazines GUIDE FOR CHILDREN and WOMEN AT HOME AND ABROAD to be published in July.

/9738
CSO: 4020/341

POPULATION

BRIEFS

BEIJING'S AGING POPULATION--Beijing, 25 May (XINHUA)--Beijing will become an "aging city" by the year 2000, 10 years earlier than the whole country, today's overseas edition of PEOPLE'S DAILY reported. According to the 1982 population survey, 8.6 percent of the city's population are over 60, bordering on the 'aging' status, and by the year 2030, the paper said, the number of people over 60 will increase to 3,154,000, or 28.5 percent of the city's population. Meanwhile, the people below 60 will decrease drastically under the present population policy. According to the standard set by UN organizations, a person who is above 60 years old is regarded as an old person. A country or region where 10 percent of the population are over 60--or 6 percent over 65--falls under the category of "aging nation". The paper said that the aging of Beijing's population is closely connected with the birth rate, which is decreasing gradually in the past years. And the lower death rate and longer lifespan, as well as the immigration of young and middle aged educated people are attributable to the aging of Beijing's population. [Text] [Beijing XINHUA in English 0722 GMT 25 May 86 OW] /9738

CSO: 4020/341

TRANSPORTATION

NORTH-SOUTH RAILWAY SECTION BEING DOUBLETRACKED

Beijing TIEDAO ZHISHI [RAILWAY KNOWLEDGE] in Chinese No 5, 28 Sep 85 pp 2-3

[Article by Zuo Wenyuan [1563 2429 3220] and Li Zhenxing [2621 2182 5281]: "Double Tracking of the Hengyang-Guangzhou Section of the Beijing-Guangzhou Railroad"]

[Excerpts] The Hengyang-Guangzhou section of the Beijing-Guangzhou Railroad, which traverses Hebei, Henan, Hubei, Hunan and Guangdong provinces, is in process of being double-tracked. The Hengyang-Guangzhou section starts in the north at Hengyang and goes through Chenzhou, Shaoguan and Yingde cities southward to Guangzhou, a distance of 542 kilometers. It intersects with the Hunan-Guangxi line at Hengyang; at Guangzhou, it connects with the Shiweitang-Foshan-Sanshui line and the Guangzhou-Kowloon line. It is the major artery in China's southern railroad network. Double-tracking of this section of the line will rapidly increase the transportation capacity of the entire Beijing-Guangzhou Railroad and will play an important role in development of the national economy, in foreign trade, and in tourism.

A Brief History of the Construction of the Line

The Beijing-Guangzhou Railroad was formed by connecting the former Beijing-Hankou and Guangdong-Hankou lines, which run a total of 2,324 kilometers. It was one of the earliest railroad lines built in China. The former Beijing-Hankou line was known as the Lu-Han (Lugouqiao to Hankou) Railroad and was 1,214 kilometers long. Work began on the building of the the south and north sections of the line in 1897, and in January 1898, the section of the line between Lugouqiao and Baoding was opened to traffic. In 1900 when the Eight-Power Allied Forces occupied Beijing, the railroad began to be extended to Zhengyangmen in Beijing. In April 1906, the entire line from Beijing to Hankou was completed and opened to traffic. The former Guangdong-Hankou line (including the Hengyang-Guangzhou section) was 1,110 kilometers long. Construction was begun on three different sections of it in 1901, and in 1936 the entire line was completed and opened to traffic. It had been 36 years in building. With the construction in October 1957 of the bridge across the Chang Jiang at Wuhan, the Beijing-Hankou and the Guangdong-Hankou lines were connected, and in November of that same year the name was changed to the Beijing-Guangzhou line. Prior to liberation, inasmuch as the former Guangdong-Hankou line had depended on foreign capital for its construction, and materials had come from the United States and Great Britain, standards along the line were not uniform. Equipment specifications were a jumble and outdated; various technical criteria were antiquated; trains traveled at slow speed; and passenger and freight volume was not large. Following liberation, double-tracking began in 1954, and by 1971 the 1,169 kilometer distance between Beijing and Hengyang had been double-tracked. The remaining section running from Hengyang to Guangzhou remained single-tracked.

Materials and Foreign Trade

The Hengyang-Guangzhou section passes through the Nanling region where Hunan and Guangdong provinces meet, as well as through the Hengyang basin and along the edge of the Zhu Jiang delta. The line follows two major waterways, the Xiang Jiang and the Zhu Jiang where the land is fertile, rainfall copious, the climate temperate, and both agricultural products and lumber resources are plentiful. The economic area through which the line passes contains minerals, including coal, zinc, lead and wolfram. Coal transported from the stations at Laiyang and Sandu amounts to more than 1 million tons annually. Metallic ores carried from Maba Station and non-metallic ores hauled from Dongguapu station amount to more than 800,000 tons annually. Since China instituted an open door policy toward the outside world, in particular, simultaneous with "attracting into" China has been "internal linking," i.e., the use of inland raw materials and primary products for fine processing so that products are provided for export only after value has been added to them; consequently the volume of foreign trade goods shipped is very large.

The Shenzhen, Zhuhai and Shantou special economic zones in Guangdong Province, as well as the four cites and regions open to the outside consisting of Guangzhou, Zhanjiang and the Zhu Jiang delta plus Hainan Island, constitute one-third of the country's cities and regions opened to the outside world. Guangzhou also neighbors Hong Kong and Macao. Its special geographic position makes the Hengyang-Guangzhou section Guangdong Province's only major land route to the outside world. As trade and tourism have developed, the volume of passengers and freight handled by this railroad has grown dramatically in recent years.

Overview of Double-tracking Project

Double-tracking of the Hengyang-Guangzhou section began in 1958 with surveying, designing and construction that progressed in fits and starts. In 1982, work was resumed.

This section of the line was designed as a first class trunk line with a gradient of no more than .006 and a minimum curve radius of 800 meters, or 600 meters in difficult sections. Station arrival and departure galleries will have an effective length of 850 meters at the outset with provision to lengthen them to 1,050 meters. Between Chenzhou and Shaoguan, electric locomotives will pull trains. On the section between Hengyang and Chenzhou and on the section between Shaoguan and Guangdong, steam locomotives and diesel engines will pull. Automatic blocking is used throughout the line, and it is estimated that traffic capacity will be 30 million tons or more per year.

The double-tracking project between Hengyang and Guangzhou totals 553.6 kilometers in length. It is composed of the Hengyang hub, the Guangzhou hub and the sections between Hengyang and Shaoguan and between Shaoguan and Guangzhou. New building and rebuilding of station areas along the whole line plus building of a road bed between the two areas requires the removal of 55.71 cubic meters of earth and stone, and 710,000 cubic meters of masonry earthworks will be needed. There are single-tracked and double-tracked tunnels totaling 49.5 kilometers in length, including the 14.295 kilometer long Dayao Shan double-tracked tunnel, the 6.043 kilometer long Nanling tunnel and the 3.078 kilometer long Leigongjian tunnel. There are also 112 single-tracked, double-tracked and multiple-tracked large and medium size bridges; 896 kilometers of main line tracks and 401 kilometers of station tracks, and 1,573 switches. Additionally, electrified multiple tracking is to be done on the 155 kilometers between Chenzhou and Shaoguan. This is a fairly daunting project.

Arduous Construction Conditions

The performance diagram for the single-track line between Hengyang and Guangzhou calls for 48 passenger and freight trains per day and night. The double-tracking of a line while maintaining regular traffic and in a situation of increase rather than decrease in traffic volume is unheard of in the improvement of old railroad lines in China.

Double-tracking requires the blasting of a large amount of rock alongside the existing line, which poses a threat to traffic safety. After repeated study, experts selected 12 work sites for testing controlled blasting, bringing down 420,000 cubic meters of rock. At one dangerous work site, Bureau No 5 successfully innovated the "steel rail fence" method of protection, implanting upright steel rails to form a fence along steep slopes to prevent the dynamited rocks from tumbling down to the neighboring operating line. In addition, controlled blasting was carried out at 95 work sites to remove a total of 1.57 million cubic meters of rock during the short periods in between the frequent passing of trains. This project was extremely daunting and somewhat like pulling a tooth from a tiger's mouth.

A large amount of tearing down and removal of buildings is required for the rebuilding and expansion of stations. Because of the severe disturbance this causes train traffic, construction work at each station has to be carried out in several transitional stages. Transitional plans were worked out through repeated discussion, with design, construction and transportation being closely coordinated and treated seriously before taking effect. A vertical shaft flooded at Banguao during construction of a tunnel through the Dayao Shan, and in the course of building a tunnel through Nanling, a large karst cave was uncovered out of which flowed mud and water. Experts gathered at these two work sites to study plans for tackling the situations. They decided on a parallel heading at the Dayao Shan tunnel to drain the gushing water away from the tunnel cavern. At the Nanling tunnel, they used the "chemical thickening" method and the "congealing" method to solidify the mud so digging could continue.

Initial Benefits From the Project

In order to upgrade as quickly as possible the traffic carrying capacity of the Hengyang-Guangzhou line, it was decided in 1982 that the line should be improved even before the tunnel was cut through the Dayao Shan so that the amount of freight coming into the Pingshi Station on the border between Hunan and Guangdong provinces could be increased from the 11 million tons of 1982 to 15 million tons in 1984, an increase of 400 tons. Acting in accordance with the principle of stage by stage construction for stage by stage benefits, arrangements were made first for construction that would increase traffic by 200 tons between 1982 and 1984. As work was completed and the line was put in service at the work sites where improvements had been made, transportation capacity rose markedly. Freight coming into Pingshi Station increased from 10,953,000 tons to 13,375,000 tons. Foreign trade exports shipped from the Hengyang-Guangzhou section through Shenzhen increased from 1,254,000 tons in 1981 to 1,533,000 tons. Comparison of the 1981 and 1985 traffic diagrams shows an increase in passenger trains from 8 to 11 and of freight trains from 23 to 28, equaling a 4 million ton increase in the volume of transportation.

Even so, the demand for transportation could not be satisfied. Hunan Province's plans called for the passage of 20,639 freight trains through Pingshi Station during the first quarter of 1985, but actually only 12,273 trains were dispatched for only 59 percent fulfillment of plan. Hunan Province's plans for exports of foreign trade goods during the same period called for 3,336 trains to pass through the Pingshi Station, but actually only 2,390 trains passed for fulfillment of 71.6 percent of plan. Passenger transportation problems are still extremely great. At the present time, for example, passenger train numbers 5 and 6, numbers 243 and 244 and numbers 161 and 162 daily carry double the number of passengers for which they were designed. During the lunar New Year in 1985, daily passenger traffic averaged 275,000, and peak period passenger traffic was 361,000. It is hoped that the foregoing contradiction between traffic volume and traffic capacity will gradually be solved during 1988 in the process of double-tracking the Hengyang-Guangzhou line.

9432
CSO:4006/535

TRANSPORTATION

XINJIANG DECIDES TO CHECK NUMBER OF VEHICLES

HK120612 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 8 May 86

[Text] The regional people's government recently decided to stop increasing the number of trucks, passenger cars, and sedans within the next 2 years. All vehicles made by the region will be allocated for replacing old ones.

The decision says: For the next 2 years, no department or unit will be allowed to assemble or add additional motorcars or to purchase old motorcars from other provinces or regions. Nor are they allowed to use the scrapped motorcars. The transport supervision and oil industry departments must guarantee quality of the work. In the next 2 years, the region's establishment and expansion of factories, mines, and enterprises, as well as railway, highway, and other projects will include no investment in the motorcar industry. All motorcars needed by the projects will be handled by the construction departments at the upper level through internal readjustment, or by arranging part of the transport work to the local transport enterprises.

The regional government urged the relevant departments to give full play to the leading and major roles of the region's state-run construction and transport enterprises. They should do well in supplying key materials, providing passenger services, and transporting grain, petroleum, timber, chemical fertilizer, and important materials. Transport departments at all levels must also guide and organize the work of individual transport households. They should give play to their role in the industry.

/8309
CSO: 4006/1031

TRANSPORTATION

BRIEFS

LARGE AIRPORT IN YUNNAN--Kunming, 25 Apr (ZHONGGUO XINWEN SHE)--A large airport with facilities to accommodate Boeing 737's will be built in Xishuanbanna, a famous scenic spot in Yunnan. The site of the airport will be in a suburb a dozen kilometers away from Jinghong, capital of the Xishuangbanna Dai Autonomous Prefecture. At present, various types of preparatory work such as surveying, drilling, surfacing, and so on are being carried out. It is expected that the construction of the runway, airport building, and so on will be started at the end of this year or early next year and will be completed in 2 years. Since Xishuangbanna was opened to the outside world, foreign tourism has sharply increased. In 1984, it received 1,700 tourists, while in 1985 it received 3,400 tourists. During this year's water-sprinkling festival of the Dai nationality, nearly 1,000 tourists came to visit Jinghong. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0423 GMT 25 Apr 86] /8309

SHANXI COAL STOCKPILE--Taiyuan, May 13 (XINHUA)--Shanxi, China's leading coal-producing center, is expanding its transportation system to solve the problem of excessive coal stockpiling, according to Wang Senhao, governor of the province. In addition, collective units and individuals, encouraged by the provincial government, will build railways totalling 490 km and maintain highways, the governor said. The province plans to build five local railways totalling 514 km and 549 km of highways alongside the state plans for the transport system between 1986 and 1990. Shanxi's coal output has increased by 18 million tons a year since 1980 to reach more than 200 million tons last year. But owing to transport problems, more than 50 million tons of coal and other materials are lying idle. The governor said the plans for the next few years will bring the province's annual rail transportation capacity to 330 million tons by 1990--138 million tons more than in 1985--and the highway transportation capacity to more than 200 million tons, up 80 million tons. [Text] [Beijing XINHUA in English 0638 GMT 13 May 86 OW] /8918

XIZANG ROAD TRANSPORT, PRODUCTION--Ihasa, May 26 (XINHUA)--Roads in Tibet have been improved over the past few years to encourage commodity production and transport, according to the region's Communications Bureau. The government of the Tibet autonomous region has installed a road network fanning out from Ihasa, the capital of the region, to Tibet and neighboring provinces. Bus routes now extend more than 10,000 kilometers. "We dispatch more than 50 buses to all parts of the region," said an official of the Tibet Passenger Transport Company. "They are shuttling between seats of various prefectures and county towns and pick up passengers at the sign of a wave." "The buses are equipped with oxygen supplies and heating systems," he added. Before 1951, when the region was liberated peacefully, there were only five narrow paths for postal services in Tibet, which covered 1.2 million square kilometers. [Text] [Beijing XINHUA in English 0709 GMT 26 May 86 OW] /8918

SICHUAN, ANHUI HIGHWAYS, WATERWAYS--Beijing, May 30 (XINHUA)--Sichuan and Anhui provinces will expand highway and waterway systems to boost commodity circulation and attract more tourists in the 1986-90 period, the ECONOMIC DAILY reported today. The paper quoted an official of the Sichuan Provincial Bureau of Communications as saying that the province will build 10 trunk highways totalling 1,700 kilometers, and widen and asphalt highways linking 16 large and medium-sized cities in the province. Meanwhile, the Anhui provincial government will invest a total of 200 million yuan in harnessing 7 main river channels, and building and upgrading 27 ports and 4 ship locks in the coming 5 years. Upon completion, these facilities will help increase its waterway transport and turnover volume by 30 percent over 1985; its ports and docks will be able to handle 80 percent more cargo. [Text] [Beijing XINHUA in English 0620 GMT 30 May 86 OW] /8918

CSO: 4020/338

TAIWAN

OVERSEAS CHINESE INVESTMENT LAWS REVISED

OW231812 Taipei CNA in English 1446 GMT 23 May 86

[Text] Taipei, May 23 (CNA)--The Legislative Yuan Friday passed the revision of the statutes governing investments by Overseas Chinese at the third reading to ease the restrictions on foreign exchange remittances by Overseas Chinese investors in the Republic of China.

In the revised statutes, capital gains of Overseas Chinese-invested companies may be remitted abroad after 1 year's business operation is completed. The former regulation required 2 years.

Also according to the current Article 267 of the company law, when a company's paid-in capital is increasing, it must reserve 10-15 percent of the new shares for purchase by its employees. In order to encourage foreign investments in Taiwan, Overseas Chinese-invested companies are given the privilege of ignoring this rule, the new statutes provide.

Commenting on the passage of the revision, legislator Liu Chin-yueh, convener of the Regulation Revision Committee, said that the move will not only help attract more investments from Overseas Chinese, but will also contribute significantly to the government's efforts in image-building among ethnic Chinese abroad.

According to government statistics, approved investments by Overseas Chinese made from January 1982 to March of this year totaled 1,662 cases with investment capitals amounting to nearly U.S. $1.21 billion.

/8918
CSO: 4020/335

FINANCE MINISTRY REPORTS CONTINUED TRADE SURPLUS

OW240605 Taipei CNA in English 0240 GMT 24 May 86

[Text] Taipei, May 19 (CNA)--The Republic of China's trade surplus in 1986 had accumulated to U.S. $4.6 billion as of May 10 due to the booming exports of the past few months, an official with the Finance Ministry said Monday.

The official said according to customs statistics, the nation's imports from January 1 to May 10 increased by 4.22 percent from the same period of last year to U.S. $7.8 million while exports increased by 15.53 percent to U.S. $12.4 billion.

The exports in April registered the highest monthly growth in the past few years due to the fluctuations of foreign exchange rates and the fall of international oil prices, the official said. Among various export categories, metal products, transportation facilities, plastics products, textiles, wooden products and machinery even set the highest monthly record in terms of their value in April, he said.

Thanks to the booming exports, the nation's exports in April also showed an increase of 3.4 percent as compared with the same months of last year, he added.

Meantime, Economics Minister Lee Ta-hai said that the government is studying the possibility of allowing the people in this nation to buy stocks of renowned foreign companies through several monetary organizations designated by the government to alleviate the pressure incurred by the nation's excessive foreign exchange reserves which has hit U.S. $2.6 billion in May.

Lee, worried that the excessive foreign exchange reserves will constitute a great pressure to induce inflation in this nation, has ordered concerned agencies to study ways of encouraging the private sector and state-run enterprises to increase their investments in other countries.

/8918
CSO: 4020/335

TAIWAN

BRIEFS

AD HOC TRADE COMMITTEE--Taipei, May 24 (CNA)--The Ministry of Finance (MOF) and the Ministry of Economic Affairs (MOEA) decided recently to set up an ad hoc committee to establish the temporary admission carnet system in a bid to promote bilateral trade between the ROC [Republic of China] and other nations. Meanwhile, the China External Trade Development Council (CETDC) has been delegated to issue the admission certificates. The said system, which was set up in 1962 by the Customs Corporation Council [CCC] was founded to promote trade and culture among over 40 member nations. Under the system, a country's commodities and samples being sent to another nation for the purpose of display or promotion are exempt from taxes if both nations have signed an agreement to this effect or are both CCC members on condition that such goods are sent back following marketing review activities. Currently, South Africa and Korea have each agreed to sign temporary admission and carnet system agreements with the ROC to facilitate bilateral trade. [Text] [Taipei CNA in English 0349 GMT 24 May 86 OW] /8918

CSO: 4020/335

END

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China Report

ECONOMIC AFFAIRS

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PROVINCIAL AFFAIRS

HEBEI CONGRESS STANDING COMMITTEE ISSUES WORK REPORT

SK300920 Shijiazhuang HEBEI RIBAO in Chinese 8 May 86 pp 1, 3

[Work report given by Sun Zhiguo, chairman of the Hebei Provincial People's Congress Standing Committee, at the fourth session of the sixth provincial People's Congress on 30 April 1986]

[Excerpts] Fellow deputies:

Entrusted by the provincial people's congress standing committee, I would like to deliver a report on the work done in the period since the third session of the sixth provincial people's congress.

Since the third session of the sixth provincial people's congress, the standing committee, under the leadership of the provincial CPC committee, has played an active role in further enhancing the building of democracy and legal systems, promoting the smooth progress in the drive to conduct reforms, ensuring the healthy development of the drive to conduct reforms, consolidating the outstanding results scored in the drive to conduct reforms, and pushing forward the program of building the two civilizations in the province by taking the spirit of the National Conference of Party Delegates as guiding ideology, following the demands set forth in the proposals made bythe central authorities with regard to formulating the Seventh 5-Year Plan for economic and social development, proceeding from the party's general target and task, vigorously exercising the function and power given by the Constitution and the "Organic Law" for local congresses and governments, and earnestly implementing the resolutions adopted at the third session of the sixth provincial people's congress.

1. Efforts have been made to actively formulate local regulations and rules.

Since the 3d Plenary Session of the 11th CPC Central Committee, the party and state have stressed that efforts should be made to develop socialist democracy and to improve socialist legal systems. The decision made by the CPC Central Committee with regard to the drive to conduct reforms in economic systems has pointed out that "the drive to conduct reforms in economic systems and the development of the national economy have enabled more and more economic relations and the guiding principles of economic activities to be fixed in a legislative way and that the state legislative organs should accelerate their pace in economic legislation." The decision made by the CPC Central Committee with regard to conducting reforms in educational systems has also pointed out that the people's congresses at all levels should formulate their own provisions on enforcing compulsory education. In line with the demands mentioned above, the standing committee has actively conducted local legislative work in order to ensure the implementation of the Constitution and the state law in the province and to meet the need of the province's actual situation prevailing in conducting reforms in economic, scientific and technical, and educational systems.

Over the past year, the standing committee has formulated, in succession, the following six local regulations and rules: The trial provisions on provincial financial supervision, the Shijiazhuang City provisions on managing city appearance and public health, the provincial temporary provisions on urban public health management, the provincial provisions on managing water sources, the provincial temporary provisions on developing vocational and technical education, and the provincial provisions on managing the people's campaign obligatory for planting of trees. In addition, the standing committee has preliminarily examined the draft provincial temporary provisions on confiscating or dealing with stolen money and goods, the draft provincial trial provisions on highway management, and the draft provincial temporary provisions on conducting financial management at the township-town level. It has also discussed and made a decision to submit the draft provincial provisions on making compulsory education universal to the fourth session of the sixth provincial people's congress for examination and approval. Of the 10 local regulations and rules mentioned above, 6 concern economic aspects, 3 educational and public health aspects, and 1 political aspects.

In formulating local regulations and rules, our major methods are as follows: 1) Efforts have been made to formulate legislative plans in a planned manner and by aiming at major aspects. 2) Efforts have been made to uphold the principle of adopting an active and careful attitude toward the work. 3) Efforts have been made to carry out investigation and studies in a penetrating way, to further keep abreast of the whole situation, and to provide an objective basis for legislation. 4) Efforts have been made to fully carry forward democracy.

Over the past year, we have organized the departments convened in a timely manner to discuss the 16 draft laws issued by the NPC Standing Committee for soliciting local opinions with regard to the provisions on resident identification cards, the civil code, the law on compulsory education, the law on joint-venture enterprises with foreign firms, the fishery law, the pastoral law, and the regulations and rules on departures and arrivals of foreigners and departures and returns of citizens. We have also collected all revised opinions offered by the deputies and reported them to the NPC Standing Committee.

2. Efforts have been made to earnestly hear and discuss the work reports given by the provincial people's government, the provincial higher people's court, and the provincial people's procuratorate and to enhance the supervisory work.

In line with the supervisory function and power given by law to the people's congress standing committee and the demands set forth in the speech by Peng Zhen, chairman of the NPC Standing Committee, with regard to supervisory work, we have actively carried out legal and work supervision and convened standing committee meetings to hear and discuss the work reports given by the government, the people's court, and the people's procuratorate. This represents a basic supervisory style and also represents support and encouragement to the work undertaken by the government, the people's court, and the people's procuratorate. In hearing and discussing the work reports, attention has been paid to the following four aspects of the reports:

1. Efforts have been made to hear and discuss the reports on the implementation of the law and the local regulations and rules.

2. Efforts have been made to hear and discuss the reports on the implementation of the resolutions adopted by the provincial people's congress or by its standing committee.

3. Efforts have been made to hear and discuss the reports on the drive to conduct reforms.

4. Efforts have been made to hear and discuss the reports given by the provincial nationalities affairs committee with regard to the work situation.

In its daily work, the standing committee has paid attention to and enhanced the supervision over the implementation of the Constitution and the law in line with the demand of grasping construction on the one hand and legal systems on the other and has consulted with the departments concerned on the work of correcting some practices against the provisions of the law.

3. Efforts have been made to carry out penetrating investigation and studies.

Carrying out investigation and studies not only constitutes the basic method of the work undertaken by the people's congress standing committee, but has also become its daily working task. The work of carrying out investigation and studies has been conducted chiefly in the following three aspects: 1) Investigation and tudies have been carried out in formulating local regulations and rules. 2) Investigation and studies have been carried out in line with the topics for discussion and important issues raised at the regular meetings of the standing committee. 3) Investigation has been carried out to learn about the situation prevailing in the implementation of the Constitution, the law, the local regulations and rules, and the resolutions adopted by the standing committee.

4. Efforts have been made to strengthen ties with deputies.

Establishing ties with deputies constitutes one of the daily works undertaken by the provincial people's congress standing committee. Tasks that have been fulfilled in this regard are as follows:

1. Efforts have been made to earnestly implement the measure of the provincial people's congress standing committee with regard to establishing ties with deputies, to contact the people's congress standing committees at city and county levels in order to learn about the implementation of the measures, and to sum up and push forward the work of making contact with deputies.

2. Efforts have been made to earnestly deal with the motions, proposals, criticisms, and opinions raised by the deputies at the third session of the sixth provincial people's congress.

3. Efforts have been made to handle petitions made by the people and deputies in letters or through visits. Over the past year, the standing committee has received more than 1,800 petition letters sent by the people and deputies and handled more than 460 petitions made by them through visits.

4. Efforts have been made to organize deputies and standing committee members to carry out inspections. Since the third session of the sixth provincial people's congress, we have organized the staff members of the standing committee and deputies to carry out three inspection activities.

5. Efforts have been made to make close contact with the people's congress standing committees at city and county levels.

In making contact with the people's congress standing committees at city and county levels, the standing committee of the provincial people's congress has fulfilled chiefly the following tasks: 1) Efforts have been made to hold work forums of the people's congress standing committees at city, county, and (city-level) district levels. 2) Efforts have been made to train cadres for the work. 3) Efforts have been made to enhance the compilation of the "Bulletin" published by the provincial people's congress standing committee and the "Working News" published by the general office under the standing committee.

6. Efforts have been made to strengthen the self-improvement of the standing committee.

The new situation in which socialist material and spiritual civilizations are built simultaneously, the building of democracy and legal systems is further enhanced, and the programs of conducting reforms and enforcing the policy of opening to the outside in order to enliven the domestic economy are carried out, has set forth higher demands for the work of the people's congress standing committees. In order to enable the standing committee to better meet the demands set forth by the new situation for organizations, ideology, work style, and working methods, and to enable it to truly become the local authoritative organ of state power and to fulfill various tasks given by the law, we have continuously strengthened the standing committee's work of self-improvement over the past year, attached importance to studying the state principles and policies and legal knowledge, done our work in strict accordance with the law, and fully carried forward democracy.

Generally, speaking, over the past year, since the third session of the sixth provincial people's congress, the standing committee has scored certain achievements in its work. However, there has been a gap between its achievements and the function and power given by the law as well as the demands set forth by the new situation for the standing committee work. The standing committee has not done enough in conducting legal supervision and should try further to sum up its experiences gained in this regard. Under the circumstances in which legislative tasks have become heavier and heavier, our legislative work still cannot completely meet the need of the drive to conduct reforms. The work of having the standing committee conduct self-improvement and of making contact with deputies should also be further enhanced. The quality of the standing committee regular meetings should be further upgraded. We have not done enough in the work of foreign affairs, which still cannot meet the need of enforcing the policy of opening to the outside.

In 1986 we should continuously regard the spirit of the National Conference of Party Delegates as guiding ideology; earnestly follow up on the report given by Premier Zhao Ziyang with regard to the Seventh 5-Year Plan and the principles, tasks, and demands set forth by the Seventh 5-Year Plan; and emphatically do a good job in grasping the following work under the leadership of the provincial CPC committee: 1) Efforts should be made to further enhance the legal supervision; to conduct inspection and supervision in a planned and organized manner over the implementation of the Constitution, the law, the local regulations and rules, and the resolutions adopted by the provincial people's congress and its standing committee; to emphatically deal with the problem whereby people do not abide by the law in doing things and personnel do not strictly enforce the law; and to consult the departments concerned in a timely manner in order to deal with the exposed violation cases. Efforts should be made to continuously enhance legislative work and to actively and carefully formulate local regulations and rules in line with the practical need of the drive to conduct reforms and to enforce the open policy. In 1986 the standing committee plans to formulate 8 or 10 local regulations and rules. 2) Efforts should be made to do a good job in convening regular meetings of the standing committee. 3) Efforts should be made to organize standing committee members to carry out inspection activities in line with the new situation and problems cropping up in the drive to conduct reforms and in line with the issues which the masses are most concerned about. 4) Continuous efforts should be made to enhance the building of organs.

Fellow deputies, the year 1986 is the first year in implementing the Seventh 5-Year Plan in an overall way. In line with the general demand of building socialism reflecting Chinese characteristics and the basic principle of enforcing the policy of opening the outside in order to enliven the domestic economy, the standing committee of the provincial people's congress will continuously and earnestly exercise its function and power given by the Constitution and the law this year, earnestly implement the state principles and policies, and, by displaying the spirit of vigorously making progress, unite as one in struggles, and conduct work in a down-to-earth manner in order to make new contributions to promoting the building of material and spiritual civilizations in the province and fulfilling the Seventh 5-Year Plan.

The work report delivered above is now presented for consideration.

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CSO: 4006/1071

BEIJING MUNICIPAL PEOPLE'S CONGRESS SESSION OPENS

SK270350 Beijing BEIJING RIBAO in Chinese 14 May 86 p 1

[Excerpts] The Fifth Session of the Eighth Beijing Municipal People's Congress ceremoniously opened on the morning of 13 May at the Great Hall of the People.

At the opening ceremony, Chen Xitong, mayor of Beijing Municipality, made the "Report on the Seventh 5-Year Plan for Economic and Social Development" to more than 800 people's deputies from all fronts in the municipality, and submitted the "(Draft) Seventh 5-Year Plan for the Beijing Municipal Economic and Social Development" to the present session for examination. He said: "During the Sixth 5-Year Plan period, the reform has gradually developed from the rural areas to the urban areas in line with the generla principle of opening up to the outside world and invigorating the domestic economy, thus always being the motive force of the development of our various undertakings. The reform has instilled vitality into the economic undertakings, has directed the economic undertakings onto the orbit of focusing on the improvement of economic efficiency, and has promoted the rapid development of production and ths progress of the scientific, technological, cultural, educational, and other undertakings. He pointed out: Carrying out the economic structural reform and the reform in other fields continuously and penetratingly constitutes the central task of the Seventh 5-Year Plan period, as well as the key to realizing the Seventh 5-Year Plan. The people throughout the municipality should adhere to the correct orientation of the reform.

The executive members of the presidium served as the executive chairmen of the meeting held on 13 May. They were Li Ximing, Zhao Pengfei, Jiao Ruoyu, Wang Jialiu, Li Qiyan, Li Guang, Wang Lixing, Wang Xian, Pan Yan, Fan Jin, Ma Yaoji, Hou Jingru, Wen Jiasi, Pu Jiexiu, She Diman, Cheng Mingshao, Wang Dazhong, Xing Jun, Rong Yi, and Xia Qinlin.

At 0900 on 13 May, Zhao Pengfei, executive chairman of the meeting, declared the session open. People's deputies to the session and other personnel stood to sing the national anthem. Then, Mayor Chen Xitong delivered a report to the session. His report consists of four parts: 1) The fulfillment of the Sixth 5-Year Plan; 2) the basic tasks of the Seventh 5-Year Plan; 3) Carrying out the reform in a positive, stable, and penetrating manner; and 4) vigorously promoting the building of socialist spiritual civilization, the democracy, and the legal system.

Members participating in the Fourth Session of the Sixth Beijing Municipal CPPCC Committee attended the 13-May meeting as observers.

Also attending the meeting as observers were other leading comrades of the municipal people's government; responsible persons of the municipal higher people's court and the municipal people's procuratorate; responsible persons of the municipal CPC committee, the municipal people's congress standing committee, and various departments, commissions, offices, bureaus, and companies under the municipal people's government; and responsible persons of various district and county people's congress standing committee and people's governments. Also attending were part of the municipal people's deputies to the Sixth NPC. They include Dong Jianhua and Zhang Binggui, members of the NPC Standing Committee.

On the afternoon of 13 May, people's deputies discussed Chen Xitong's report in groups. On the morning of 14 May, the session held its second plenary meeting.

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PROVINCIAL AFFAIRS

FUJIAN PEOPLE'S CONGRESS SESSION ENDS

OW241117 Fuzhou Fujian Provincial Service in Mandarin 1030 GMT 22 May 86

[Excerpts] The Fifth Session of the Sixth Fujian Provincial People's Congress concluded this afternoon.

The closing meeting was attended by 467 deputies. The executive chairmen of the presidium acted as executive chairmen for today's meeting. They were Cheng Xu, Wang Yan, Guo Ruiren, Kang Beisheng, Zeng Ming, Liu Yongye, and Cai Liangcheng. In addition to Chen Guangyi, Hu Hong, and other members of the presidium, leading comrades from the provincial CPC committee, including Hu Ping, Gao Hu, Zhang Kehui, and He Shaochuan, as well as members from the Central Advisory Commission and the Central Discipline Inspection Commission; leading comrades from provincial advisory commission, the provincial government, the provincial CPPCC committee, the provincial military district, the provincial court, and the provincial procuratorate; veteran comrades; and members of the CPPCC National Committee from Hong Kong and Macao (in the order of the number of strokes of their surnames) Zuo Fengmei, Lu Haoran, Xu Jimei, (Li Wenren), He Ruoren, Zhang Gexin, Chen Yourong, Chen Yangzeng, Chen Xizhong, Chen Mingyi, Chen Binfan, Chen Xinxiu, (Hu Zengmao), (Huang Chaoxi), Huang Yaguang, (Zhang Ji), Liang Piyun, Jiang Xuedao, Fu Baicui, You Dexin, and (Wei Xianshui) were seated at the rostrum.

The session adopted the following resolutions: the resolution of Fujian's Seventh 5-Year Plan and the report on this plan, the resolution on Fujian's 1986 National Economic and Social Development Plan, the resolution on Fujian's 1985 final accounts and 1986 budget, the resolution on the Work Report of the Provincial People's Congress Standing Committee, the resolution on the Work Report of the Provincial Higher People's Court, and the resolution on the Work Report of the Provincial People's Procuratorate.

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PROVINCIAL AFFAIRS

HEILONGJIANG PEOPLE'S CONGRESS SESSION CONCLUDES

SK302254 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 29 May 86

[Text] After a 10-day meeting, the fourth session of the Sixth Heilongjiang Provincial People's Congress successfully concluded in the provincial exhibition hall on the afternoon of 29 May.

The session urged the people of various nationalities throughout the province to further closely unite as one, to carry forward the spirit of arduously doing pioneering work and of the Old Foolish Man removing the mountain, to strive to fulfill the Seventh 5-Year Plan in an all-round way, to make the economy prosperous in 1990's, and to build socialism with Chinese characteristics.

Presiding over today's session were executive members of the session's presidium, including Li Jianbai, Chen Yuanzhi, Lu Guang, Wei Zhimin, Wang Jinling, Liu Huixian, Wang Pili, Wang Zhaozhi, Wang Jun, Zhao Zhenhua, and Zhang Ruoxian.

Today's session, presided by Li Jianbai, opened at 1400. He announced that attending the session were 820 deputies, who constituted a quorum.

The session first approved the resolutions of the Seventh 5-Year Plan for economic and social development and of the report of the Seventh 5-Year Plan, and adopted a resolution on approving the report given by Governor Hou Jie on behalf of the provincial people's government, entitled "Uphold the Principle of Conducting Reforms, Conduct Work in a Down-to-Earth Manner, and Strive To Fulfill the Seventh 5-Year Plan in the Province." The session approved in principle the Seventh 5-Year Plan formulated by the provincial people's government for economic and social development.

The resolution adopted at the session stated that our province scored new achievements during the implementation period of the Sixth 5-Year Plan, which have laid a solid foundation for successfully fulfilling the Seventh 5-Year Plan. Such achievements represent the results scored by the people of various nationalities throughout the province, who have made concerted efforts and waged arduous struggles under the leadership of the provincial CPC committee.

The session expressed satisfaction with the work done by the provincial people's government during the implementation period of the Sixth 5-Year Plan and pointed out that the province's situation in politics and the economy during the Sixth 5-Year Plan period was fine. However, there are still weak links in the course of economic and social development and shortcomings and faults in work. In conducting penetrating reforms and making progress, the province still has many difficulties and problems. By no means should we lower our guard in work. The major tasks and basic principles fixed by the province for the Seventh 5-Year Plan are in conformity with the demand for fulfilling the grand target by the end of this century, with the spirit of the national Seventh 5-Year Plan, and with the actual situation in the province. These tasks and principles are completely possible to be fulfilled by the common efforts exerted by the people throughout the province.

The session approved the resolution on the 1986 plan for the national economy and social development and approved the 1986 economic and social development plan submitted by the provincial people's government and the report given by Vice Governor Liu Zhongli with regard to the 1986 economic and social development draft plan. The session also approved the resolution on the province's 1985 final accounts and 1986 budget and approved the 1985 final accounts and the 1986 budget submitted by the provincial people's government and the report given by Zhao Jicheng, director of the provincial finance department, on the 1985 final draft accounts and the 1986 draft budget. The session approved a resolution on implementing the provisions of the PRC compulsory education law and other specific resolutions. The session adopted the work report of the provincial people's congress standing committee, which was delivered by Chen Yuanzhi, vice chairman of the standing committee; the work report of the provincial higher people's court, delivered by Zhang Li, president of the provincial higher people's court; and the work report of the provincial people's procuratorate, delivered by Jia Chengwen, chief procurator of the provincial procuratorate.

The session elected by a show of hands Wang Yuehua, (Xu Shaowan), and (Li Ying) as supplementary members of the standing committee.

The session closed amid the majestic strains of the national anthem after successfully fulfilling various mixed items on the session's agenda.

Seated on the rostrum of today's session were leading comrades from the provincial CPC committee, the provincial advisory commission, the provincial people's government, the provincial CPPCC committee, and the provincial discipline inspection commission, including Sun Weiben, Chen Lei, Hou Jie, Wang Zhao, Li Gensheng, Chen Yunlin, Zhou Wenhua, Wang Yusheng, Li He, Wang Luming, Zhang Lin, Wang Fei, An Zhendong, He Shoulun, Liu Zhongli, and Jing Dowen, Zhang Li, president of the provincial higher people's court; and Jia Chengwen, chief procurator of the provincial people's procuratorate.

Also seated on the rostrum were retired veteran cadres, including Zhao Dezun, Chan Jianfei, Zhang Ruilin, and Wang Minggui.

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XINJIANG'S TOMUR DAWAMAT ADDRESS TO PEOPLE'S CONGRESS MEETING

Reports on Seventh 5-Year Plan

HK270207 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 26 May 86

[Excerpts] The fifth session of the Sixth Xinjiang Regional People's Congress held a grand opening this morning in the People's Hall. Those present as executive chairmen at the opening session included Wang Enmao, Song Hanliang, Amudong Niyazi, Saifulayefu, Li Jiayu, Yang Yiqing, Caodanofu, and Ren Gebai.

Tomur Dawamat, chairman of the regional people's government, delivered a report on the region's seventh 5-year plan. The report was in five parts: 1) the main achievements and basic experiences of the sixth 5-year plan; 2) the guiding ideas and basic tasks for the seventh 5-year plan; 3) resolutely carry out reform of the economic structure in a planned way; 4) vigorously step up the building of spiritual civilization; 5) we must get a good grasp of work in 1986.

He said: In the past 5 years, under the leadership of the CPC Central Committee, State Council, and regional CPC committee, the region has fulfilled or overfulfilled most of the targets and tasks set by the sixth 5-year plan. Great success has been scored in socialist modernization.

He said: In accordance with the demands of the national Seventh 5-Year Plan, and in connection with Xinjiang realities, the basic tasks proposed in the draft of the region's seventh 5-year plan are to continue to consolidate and develop the political situation of stability and unity, ensure the sustained, steady, and coordinated development of the national economy, persevere in reform, invigorate the economy, gradually perfect the market setup, strengthen our ability to control the objective economy [as heard--believe this is misreading for macroeconomy], and basically lay the foundation for a new-style socialist economic setup with Xinjiang characteristics. We should harmonize relationships, readjust structures, set up prospecting of our resources, do a good job in key construction projects, technological transformation, and brain-power exploitation, and ensure that the region's industrial and agricultural output value in 1990 increases by 180 percent [fan yi dian si fan] over 1980 and that its national income per-capita reaches the national average. On the basis of developing production, we should continue to improve urban and rural living standards, and in particular extricate the peasants and herdsmen in poor areas from poverty and enrich them as soon as possible. While stepping up the building of socialist material civilization, we should vigorously strengthen the building of socialist spiritual civilization and bring about a fundamental turn for the better in party style and social mood.

We must waste no time in eliminating the various defects in the present setup that hamper the development of the productive forces, and gradually establish a new economic setup full of vigor and vitality. Thus we should ensure sustained, steady, and coordinated development of the region's economy in the next 5, 10, and 20 years, and even longer.

The session held its second full gathering in the afternoon to listen to reports on the draft of the region's national economy and social development plan for 1986 and on the final accounts for 1985 and the budget for 1986.

(Liu Zonghao), chairman of the regional planning commission, delivered the first of these reports. He reported on the main tasks in the 1986 plan and proposed the main measures fulfilling them.

Mahemaiti Shabier, director of the regional finance department, reported on the final accounts for 1985 and the draft budget for 1986. He said: Generally speaking, the region's financial situation last year was good. Revenue increased by 125 million yuan over 1984, thus achieving for the fourth year in succession the regional CPC committee's demand for revenue to rise by 100 million yuan a year.

He said: To ensure the fulfillment of this year's budget, we must strive to do a good job in the following respects: 1) Open up more sources for increasing revenue on the basis of developing production and improving economic results. 2) Strengthen macroeconomic control, persevere in acting according to our capabilities, and strictly control and economize expenditures. 3) Institute a new financial setup of the prefectures, cities, and counties. 4) Strengthen county-level financial work and promote the accelerated development of economic and cultural construction in the counties. 5) Strengthen fiscal supervision, strictly enforce fiscal discipline, and seriously correct new unhealthy trends.

Economic Achievements, Tasks Reviewed

HK280159 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 27 May 86

[Excerpts] In his report on the draft of the region's seventh 5-year plan, Regional Government Chairman Tomur Dawamat gave an all-round review of the execution of the sixth 5-year plan.

He said: During the sixth 5-year plan, industrial and agricultural output value rose at an annual average of 11.4 percent, higher than the 6.8 percent average recorded during the years 19852-78. It was also higher than the national average of 11 percent. The region recorded average annual increases of 14.4 percent in light industry and 11.4 percent in heavy industry. Agriculture developed particularly rapidly, recording an average annual rise of 9.6 percent, far exceeding the 6 percent average recorded during the past 36 years. This agricultural performance was provided extremely favorable conditions for all-round and steady economic growth in the region.

Total investment in fixed assets in units owned by the whole people amounted to 13,399 million yuan. New fixed assets amounted to 9,171 million yuan. This has greatly strengthened the region's material and technical foundation for economic and social development.

The region's financial situation took a marked turn for the better during the sixth 5-year plan. The situation of 3 successive years of declining revenue, from 1979 to 1981, was reversed, and a good momentum of steady revival appeared. Since 1982, the region has fulfilled 4 years in succession the regional CPC committee's demand for an annual revenue increase of 100 million. Revenue doubled during the 5 years.

The actual consumption level of urban and rural residents increased by 41.6 percent during the 5 years.

During the sixth 5-year plan, the Xinjiang Production and Construction Corps scored great successes in defending the motherland's border, consolidating stability and unity, and developing economic and social construction. Its industrial and agricultural output value rose at an annual average of 12.7 percent, higher than the regional average. The corps played a backbone and demonstration role.

Tomur Dawamat said: During the seventh 5-year plan, we must maintain a certain growth rate under the premise of improving economic results. Industrial and agricultural output value should rise by an annual average of 8.6 percent. This includes annual rises of 6.4 percent in agriculture and 9.9 percent in industry. National income should rise by an annual average of 8.8 percent. Gross domestic product should rise by an annual average of 9.1 percent.

He said: In deciding on these growth rates, we have made an all-round analysis and forecast of the region's current and future economic and social development and taken into account the changes and demands of various internal factors. We have also taken account of the fact that the region's industrial and agricultural output value growth during the sixth 5-year plan was higher than the stipulated growth rate and that in the past 2 years there has been some swelling in investment and consumption demands. We have in particular taken account of the fact that the all-round unfolding of reform of the economic structure requires a relatively relaxed economic environment. We have therefore appropriately lowered the growth rate for the seventh 5-year plan. This will help in the all-round unfolding of economic structural reforms, in the readjustment of production patterns and product mix, and in further directing our attention to improving product quality and economic results.

Tomur Dawamat pointed out: The growth rate we are setting out now is higher than the national average for the seventh 5-year plan and also higher than the region's average growth rate for the 20 years 1961-80. It is also basically in accord with the average growth required to sextuple [fan liang fan ban] industrial and agricultural output over the period 1981-2000. The growth rate embodies the principle of being positive while also leaving a margin. By attaining this growth rate, by 1990 the region's national income will have grown by 200 percent in 10 years, and there will be a great increase in our economic strength and further improvement in living standards. In this way we can be still more certain of achieving our strategic goal for the end of the century.

Tomur Dawamat reviewed the regional economic pattern for the seventh 5-year plan. He said: During the period of the plan, we should take the existing bases as the props, focus on northern Xinjiang, and also step up the development of southern Xinjiang, so that the northern and southern parts will support and spur each other and get rich together. We must do a good job in improving and expanding the existing industrial bases in the Hami-Urumqi-Karamay area, bring their production potentials into full play, and increase their capacity to support the development of other areas.

He pointed out that proposing such a pattern is determined by the history and current state of economic development in Xinjiang. It is the demand of the objective laws of the development of productive forces. The Hami-Urumqi-Karamay area has good communications, abundant resources, relatively concentrated production, relatively high technological standards and degree of specialization, and relatively strong production capacity and technical installations. To focus on building up this area well is extremely important for the economic development of the entire region.

From the angles of the overall situation and the long-term aspect, to concentrate on developing northern Xinjiang during the seventh 5-year plan is precisely for the purpose of providing better support for southern Xinjiang. Only when the economy of the entire region is developed and our economic strengthe has grown will it be possible to put forward still greater effort in supporting southern Xinjiang and thus speed up its development.

Announces Focal Points in Construction

HK290221 Urumqi Xinjiang Regional Service in Mandarin 0000 GMT 29 May 86

[Text] In his report to the fifth session of the sixth regional people's congress, Regional Chairman Tomur Dawamat said that the focal points for construction in Xinjiang during the seventh 5-year plan are water conservancy, communications, energy, building materials, and education. This has been decided in light of the region's resources conditions, constraining factors, weak links, and feasibilities, and in view of their impact on the region's economic development strategy.

He said: During the period of the plan, we must continue to vigorously step up water conservancy construction, get a good grasp of rounding off projects and reducing seepage, and build a number of new projects needing little investment and producing good results. We should gradually solve problems of spring drought, flood precautions, drainage, and prevention of alkalinization. We must pay special attention to water conservancy construction in pastoral areas, to ensure the development of animal husbandry.

We must assign the development of communications and transport a priority position during the period of the plan. While continuing to get a good grasp of road transport, we must vigorously step up railroad and air transport, improve the transport structure, modernize transport, organize a rational transport pattern, and improve economic results.

We must regard energy and the building materials industry as key sectors during the seventh 5-year plan and give priority to their development, so as to ensure the smooth accomplishment of the plan.

Tomur Dawamat pointed out: Economic development depends on science and technology. Talented people are needed to master advanced science and technology, and such people must be trained through education. We must therefore regard education as a focal point, suitably increase investment in it, strive to improve its quality, provide better teaching conditions, and reform the education structure. We must speed up the training of talented people needed in the four modernizations drive.

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CSO: 4006/1071

SHANDONG'S CPPCC STANDING COMMITTEE WORK REPORT

SK300138 Jinan DAZHONG RIBAO in Chinese 9 May 86 p 2

[Work report of the Standing Committee of the Shandong Provincial Committee delivered by Guo Yicheng, vice chairman of the provincial CPPCC committee, at the fourth session of the fifth provincial CPPCC committee on 8 May: "United the Personages of all Circles To Make Contributions to the Realization of the Seventh 5-Year Plan and the Reunification of the Motherland"]

[Text] Guo Yicheng, vice chairman of the provincial CPPCC committee, delivered a work report of the standing committee of the provincial CPPCC committee at the fourth session of the fifth provincial CPPCC committee on the morning of 8 May.

Guo Yicheng said: Since the third session of the fifth provincial CPPCC committee, new progress has been made in the united front work and the CPPCC work under the new situation, the fields of conducting various forms of political consultation and democratic supervision activities have become wider and wider, and the content of conducting these activities is getting richer and richer. Over the past 1 year, the provincial CPPCC committee has done a lot of work and has created a new situation in facilitating the socialist material and spiritual civilizations and promoting the reunification of the motherland. Guo Yicheng reviewed the work done since the third session of the fifth provincial CPPCC committee.

1. The CPPCC committee brought into full play its functions and advantages of having many talented persons, and suggested means and made efforts for reform and construction.

Over the past 1 year, the CPPCC organizations at all levels concentrated on the central tasks of conducting reform and four modernizations, carried out into full play their role in conducting various forms of political consultation and democratic supervision activities, and successfully put their work on the course of serving the four modernizations. Closely in line with the new situation and the new problems cropping up in the course of opening to the outside world and carrying out reform and construction, the CPPCC committee enthusiastically organized its members to conduct inspection, investigation on special subjects, consultation, and service. Over the past 1 year, the work group for agriculture and forestry, the work group for science and technology, the work group for culture, the work group for sports and the work group for health and medicine under the provincial CPPCC committee visited and inspected more than 30 counties (cities and districts) in succession, including Jiann, Qingdao, Zaozhuang, Yantai, Weifang, Zibo, Jining, Linyi, and Hezei. In accordance with the problems found out through their investigation tours, the CPPCC members wrote reports on special subjects and made constructive suggestions. These reports and suggestions have brought to the attentions of relevant departments and some of them have been adopted.

In the spirit of seeking reality and blazing new trails, the CPPCC members and the personages of all circles initiatively created new work fields in service in the four modernizations. For instance, they helped the government study and formulate the social and economic development plan; offered economic, scientific and technological information; introduced investment from abroad and established lateral ties at home; developed lateral economic cooperation; developed spare-time education; carried out intellectual development; helped the enterprises conduct technological transformation and improve management and operation; and helped the peasants become rich through labor and seek common prosperity.

Last year, together with the provincial democratic national construction association and the provincial federation of industry and commerce, some CPPCC members and the work groups for agriculture and forestry, science and technology, industry and commerce, and sports organized and dispatched by the provincial CPPCC committees separately went to Linyi, Liaocheng, and Linqing to conduct investigation, consultation, and service activities. Better economic results and social effects were scored in these activities thanks to their specific contents.

The CPPCC members also made suggestions for the two civilizations. Since the third session of the fifth provincial CPPCC committee, the CPPCC members have put forward 429 motions, about a 100 percent increase over that of the previous year. These motions have dealt with a wide range of fields in terms of their content and some of them with higher quality have been adopted by relevant departments. This helped solve the problems in the economic, scientific and technological, cultural, educational, public health, and sports fields; and some practical problems concerning the interests of the masses.

2. The spiritual civilization was promoted thanks to carrying out conscientious study and strengthening propaganda.

Over the past 1 year, the CPPCC committee not only organized members to deeply study the basic theory of Marxism and the policies and principles of the party and that state; but also organized various forms of activities such as sponsoring standing committee meetings and report meetings on special subjects to relay and implement the guidelines of the national conference of party delegates and the meeting of cadres of central organs, and attached prominent important to disseminating the experiences of advanced models of CPPCC members and personages of all circles in serving the four modernizations.

Through widely conducting study, propaganda, and education, the CPPCC members and the personages of all circles were further aroused with patriotism and enthusiasm for conducting the four modernizations. Thus, the socialist spiritual civilization has been facilitated.

3. The CPPCC members and personages of all circles were further aroused with enthusiasm thanks to unswervingly grasping the implementation of the policies.

We have scored notable achievements in implementing the policies toward the CPPCC members thanks to the efforts made in the past few years. Over the past 1 year, enthusiastically working in cooperation with the departments concerned under the leadership of the provincial CPC committee, we have made new progress in implementing the policies toward the CPPCC members. The problems existing in the provincial CPPCC committee have been solved one after another. So far, the problems concerning the CPPCC members of our province left over by the previous policies have been solved. With regard to the implementation of the policies toward the provincial CPPCC members, we focused on grasping the work of returning to the owners the private houses and the property illegally occupied and confiscated during the "Great Cultural Revolution" period. With the concerted efforts of the departments concerned, the provincial CPPCC committee also solved a number of problems with greater difficulties. So far, 94 percent of the problem concerning the CPPCC members at the city and county levels have been solved. Through grasping the work of implementing the policies, the CPPCC members and personages of all circles were further aroused with enthusiasm for loving the country and serving the four modernizations.

4. We enthusiastically carried out the work toward compatriots in Taiwan and Hong Kong and Overseas Chinese and made new contributions to the great cause of reunifying the motherland.

The reunification of the motherland has been a great cause of the Chinese nation for a thousand years as well as a new task of the united front work departments under the new situation. The provincial CPPCC committee concentrated on the following few tasks for reunifying the motherland. First, we readjusted and strengthened the liaison organs in charge of the reunification of the motherland. Second, some provincial CPPCC members and personages of relevant departments in Jinan were invited to participate in a tea party on the Mid-Autumn Festival of last year to talk about the current situation and the issue concerning the reunification of the motherland and to express their profound thought of their relatives in Taiwan. Thus, they enhanced their enthusiasm for doing their part for the realization of the peaceful reunification of the motherland. Third, in cooperation with relevant departments, the provincial CPPCC committee enthusiastically carried out the work toward the compatriots in Taiwan and Hong Kong and Overseas Chinese and their relatives in the mainland; and extensively disseminated the CPC Central Committee's scientific idea of "one country, two systems" and a series of policies and principles on the exchange of mail, trade, and air and shipping services between the mainland and Taiwan to realize the reunification of the motherland. Thus, the compatriots in Taiwan and Hong Kong and Overseas Chinese further enhanced their enthusiasm for loving the country and serving the four modernizations.

5. We further strengthened the construction of the CPPCC organizations and the contacts with the city and county CPPCC organizations.

In the past 1 year, the organs under the provincial CPPCC committee further enhanced the ideological and political work, attached importance to the consolidation of the organizational and professional work, readjusted the organizational structure, and replenished their personnel. Through grasping education for in-service cadres and the construction of television colleges, the political understanding and the professional ability of the office workers have been upgraded.

In order to further facilitate the development of grassroots CPPCC work, the provincial CPPCC committee strengthened the contacts with the city and county CPPCC organizations. Responsible comrades of the provincial CPPCC committee extensively conducted investigation and studies on the issue concerning better serving the two civilizations among more than 30 county (city and district) CPPCC organizations of 12 prefectures and cities, including Qingdao, Yantai, Weifang, Jining, Zaozhuang, Taian, Zibo, Liaocheng, Dezhou, Huimin, Dongying, and Linyi. In the course of investigation and studies, these responsible comrades worked in cooperation with relevant departments to study ways for solving the practical problems existing in these areas such as the organizational establishment, personnel installment and wages and treatment. Some of these problems have been solved while others are being solved. Simultaneously, in line with the work demands, we also sponsored study work conferences, motions work conferences, and work conferences on the historical accounts of past events to understand the current situation, to exchange experiences, and to build closer relations between various CPPCC organizations. This had offered favorable conditions for carrying out the grassroots CPPCC work.

Guo Yicheng said: We have done a lot of work and have scored better achievements in our work since the third session of the fifth provincial CPPCC committee. These achievements resulted from our conscientious implementation of the party's policies and principles under the correct leadership of the provincial CPC committee as well as the concerted efforts of all CPPCC members, personages of all circles, and office workers. However, our united front work and CPPCC work still failed to meet the demands set forth by the party in the new situation. Our way of thinking did not suit the demands of the development of the situation and our workstyle was not thorough enough. We failed to conduct sufficient investigation and studies on the new conditions and new problems cropping up under the new situation. From now on, we must carry forward our achievements, eliminate our shortcomings, and work industriously and in the spirit of doing pioneering work in order to make great contributions to making the motherland flourish and realizing the reunification of the motherland. From now on, we must grasp the following few tasks.

1. We should further implement the guidelines of the National Conference of Party Delegates and the seventh plenary session of the fourth provincial CPC committee, and continue to achieve political consultation and democratic supervision with a focus on developing the socialist material and spiritual civilizations. The Seventh 5-Year Plan on our country's national economic and social development adopted at the Fourth Session of the Sixth NPC has

provided the CPPCC work with new content and wider prospects. In line with the regulations set forth in the Constitution of the CPPCC, we should hold as scheduled the plenary sessions, the standing committee meetings, and meetings of chairmen and vice chairmen; and help the provincial CPC committee hold the bimonthly forums of nonparty personages to extensively discuss the major issues as the strategic study of the province's economic development, the formulation and implementation of the Seventh 5-Year Plan, and reform. The CPPCC members should initiatively put forward suggestions and opinions in order to better serve the work of carrying out reform and opening to the outside world and to make the economy flourish. The provincial CPPCC committee should also give assistance to and work together with the provincial CPC committee and government to thoroughly carry out the education on ideals, morality, discipline, and legality, and to strengthen the construction of legal system in order to realize a fundamental turn for the better in party style and social conduct as soon as possible and to better handle Shandong's affairs.

2. We should bring into full play the CPPCC's role as an overall bank of talented persons, and successfully carry out various forms of service activities. In line with the demands for the CPPCC set forth by the party and the state in the new situation and closely focusing on the four modernizations, we should conscientiously organize the CPPCC members to conduct inspection and studies, investigation on special subjects, and service activities. The CPPCC organizations at all levels; in particular, the CPPCC organizations in the coastal open cities, should have their feet firmly planted at home and keep in view the compatriots in Taiwan and Hong Kong and Overseas Chinese to continue to pioneer new work fields. In line with the demands of reunifying the motherland the rejuvenating China, and proceeding from expanding the relations between the people inside and outside the country, we should extensively launch friendly activities. The provincial CPPCC committee should enthusiastically help the provincial CPC committee and government achieve the work of bringing in capital, technology, equipment, and talented persons from abroad; engage in the work of mediating the contradictions cropping up at the talks on bringing in foreign items; open up and develop channels for creating foreign exchange through export; reflect the suggestions and demands set forth by the personages living abroad; and understand the situation of the management and development of the Chinese-foreign joint ventures and cooperative enterprises. Simultaneously, the provincial CPPCC committee should train talented persons in service of reform and opening to the outside world, and make suggestions and offer information in these regards.

3. We should conscientiously organize CPPCC members to engage in study and vigorously strengthen the propaganda and education on the united front work and the CPPCC work. We should fully understand the importance and necessity of the strengthening of study in the new situation so that the CPPCC members will be able to make efforts to study Marxism and Leninism, current policies, and scientific and educational knowledge. So far, we should organize CPPCC members to study the documents of the Fourth Session of the Sixth NPC and the Fourth Session of the Sixth National CPPCC Committee in order to ceaselessly upgrade their ideological awareness and understanding of the policies. We should deeply strengthen the propaganda and education on the principles

and policies on the united front work, and make the most of such propaganda means as the press and radio and television broadcasting to vigorously disseminate the typical advanced experiences of the CPPCC members on all fronts and the personages of all circles. Through disseminating the theory of the united front work and bringing into play the role of the CPPCC members, the vast number of cadres, in particular, leading cadres at all levels will be able to upgrade their understanding of the essence, position, and functions of the united front work and the CPPCC work in the new situation.

4. We should further implement the policies toward the CPPCC members. Although we have made great achievements in this regard, there are still many problems. In particular, the problems left over by the previous policies were very complicated and the tasks for solving these problems are quite arduous. Thus, we must conscientiously sum up experiences and adopt effective steps and measures for solving these problems in a down-to-earth manner under the leadership of the provincial CPC committee and with the assistance of relevant departments in an effort to accomplish this work within this year.

5. We should continue to carry out the work of promoting the reunification of the motherland. We should extensively disseminate the central authorities' scientific idea of "one country, two systems" and a series of principles and policies; and initiatively introduce the new achievements in the construction of the motherland. We should strengthen the work of writing the propaganda manuscripts so as to further improve the quality of propaganda work and increase the quantity of the manuscripts. We should adopt various forms to strengthen our contacts with the compatriots in Taiwan and Hong Kong and Overseas Chinese, enthusiastically do a good job in receiving them, and grasp the work toward their relatives and friends living on the mainland. Through expanding the exchanges of trade, mail, and air and shipping services between the mainland and Taiwan, and widely making friends with the compatriots in Taiwan and Hong Kong and Overseas Chinese, we will be able to improve the mutual understanding and the friendship between the people in the mainland and Taiwan, and to enhance the people's enthusiasm for loving the country. We should enhance the relations and cooperation with all democratic parties, nonparty personages, the federations of industry and commerce, federations of Taiwan compatriots, and the city and county CPPCC organizations; and give publicity to the outside places in order to wind up the situation of separating Taiwan from the mainland and to realize the great cause of reunifying the motherland as soon as possible.

6. We should further achieve the work of handling motions and handling visitors and incoming letters from the masses. This year, we should strive to upgrade the quality of handling motions focusing on the central work of the country and the province; in particular, the Seventh 5-Year Plan, the system reform, and the realization of a fundamental turn for the better in party style and social conduct. The motions work committee should consciously study and handle the motions put forth by the members and sponsor forums, reception meetings, and coordination meetings on promoting the implementation of the motions so as to ensure that the motions will be handled one after another.

7. We should strengthen the self-construction of the organs under the provincial CPPCC committee and give guidance to the work of the city and county CPPC organizations.

Guo Yicheng concluded: On the basis of comprehensively fulfilling or overfulfilling the Sixth 5-Year Plan, our country has started the implementation of the Seventh 5-Year Plan. In the new year, we should conscientiously implement, under the correct leadership of the provincial CPC committee, the series of principles and policies of the CPC Central Committee, and make efforts to achieve the work in all fields in the spirit of working persistently and dauntlessly and advancing despite difficulties in order to make new contributions to the realization of the Seventh 5-Year Plan, the reform of the economic structure, and the realization of a fundamental turn for the better in party style and social conduct.

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TIANJIN CPPCC STANDING COMMITTEE ISSUES WORK REPORT

SK010452 Tianjin TIANJIN RIBAO in Chinese 12 May 86 p 3

[Report by Zhao Jinsheng on the work of the Seventh Tianjin Municipal CPPCC Standing Committee, presented at the fifth session of the seventh municipal CPPCC committee on 19 April]

[Excerpts] Fellow members:

It has been 1 year since the third session of the seventh municipal CPPCC committee, which was held in April 1985, and which was followed by the fourth session in October 1985. Entrusted by the municipal CPPCC standing committee, I would like to deliver a report for consideration with regard to the work done in the past year.

In 1985 our country took a bold step in the drive to conduct reforms in economic systems with the work emphasis on urban reforms and won a new victory along the road of building socialism reflecting Chinese characteristics. Our municipality also created an excellent situation in transformation and scored heartening achievements in it. Under the leadership of the municipal CPC committee, our municipality also achieved new development in the work of the CPPCC committee.

During the past year, the municipal CPPCC committee has conducted new exploration in pushing forward the drive to build socialist material and spiritual civilizations and promoting the peaceful reunification of the motherland by bringing into play the strong point of the CPPCC committee, the comprehensive tank, and has achieved new development in this regard. Major tasks fulfilled by us are as follows:

1. Efforts have been made to achieve new development in the work of carrying out political consultation and democratic supervision.

After the beginning of the drive to conduct reforms in economic systems with the work emphasis on urban reforms, the party and the government attach all the more importance to bringing into play the basic CPPCC role in conducting "political consultation and democratic supervision." Responsible comrades from the municipal CPC committee attended, on many occasions, the meetings and activities sponsored by the municipal CPPCC committee.

After the convocation of the 4th Plenary Session of the 12th CPC Central Committee, the National Conference of Party Delegates, and the 5th Plenary Session of the 21th CPC Central Committee in September 1985, the municipal CPPCC committee held an enlarged standing committee session to concentrate on studying the important documents adopted at these sessions and conference and the report given by Li Peng, Political Bureau member of the CPC Central Committee, member of the CPC Central Committee Secretariat, and vice premier, at the 10th National CPPCC Standing Committee meeting with regard to the proposals for formulating the Seventh 5-Year Plan and the issue on further readjusting the staff of the central leading organs by the CPC Central Committee. The enlarged session also adopted a resolution on studying and implementing the spirit of the National Conference of Party Delegates.

Before the enlarged session, we organized more than 470 municipal CPPCC members and national CPPCC members who were in Tianjin into five groups to make an observation tour among the 10 areas and units, including the economic development zone, the Tianjin constrainer wharf, and the international market. They also held on-the-spot forums with the units.

After issuing the plan for conducting reforms in commodity prices, the municipal pricing bureau issued certificates of price inspection to 137 municipal CPPCC members in line with the proposal raised by the CPPCC members' motions. Many members displayed their high sense of responsibility by carrying out price inspection with their certificates among their neighboring markets.

Since the third session of the seventh municipal CPPCC committee, the municipal committee has received 749 motions submitted by the members. As of 2 April, all motions were dealt with and answers were given to the members. In order to encourage members to submit their motions, the municipal committee established a permanent organ in the motions examination committee and worked out systems for the work.

In 1985 the municipal CPPCC committee continuously grasped the work of implementing the policies and helping the party and government deal with the leftover problems, and solved the "long-standing" problems, such as dealing with housing problems for several members, paying them retroactively, and compensating for property damage caused them as a result of the "Cultural Revolution."

2. Efforts have been made to open new spheres in rendering services to economic construction and the drive to conduct reforms.

The decision adopted at the 3d Plenary Session of the 12th CPC Central Committee with regard to conducting reforms in economic systems has set forth the outline and blueprint of building socialism reflecting Chinese characteristics. Successfully conducting reforms in economic systems to make progress in building the four modernizations represents a road of making China prosperous and ahope harbored by the country and the Chinese nationality as a whole.

Bringing into play the strong point of the CPPCC committee, the comprehensive think tank, in order to render services to economic construction and the drive to conduct reforms in varius fields represents a glorious task and a new subject faced by the CPPCC committee in the new historic period. During the past year, the municipal committee has actively conducted exploration and practice in this regard.

In bringing into play the overall function and role of the CPPCC committee, the comprehensive think tank, the municipal committee concentrated on helping a county do a good job in building the two civilizations and studied and summed up the experience gained in this regard in order to expand the service scope. This has been a task fixed by the municipal CPPCC committee after conducting repeated deliberations, consultations, and profound discussions during the past year.

Along with the penetrating drive to conduct reforms in urban ecomomic systems and to enforce the policy of opening to the outside, a new task faced by us with regard to having the united front work department and the CPPCC committee render service to the building of townships and towns has come up.

The municipal CPPCC committee has organized its members to carry out investigation on special problems, to hold discussions on special topics, and to render advisory service in line with the problems cropping up in the programs of construction and transformation, problems that should be dealt with urgently. This has become a basic style of our service in economic construction. During the past year, 14 work teams organized by the municipal CPPCC committee have carried out investigation and studies on speical problems cropping up in 5 fields and held 12 forums on special topics, such as the issue of developing township and town-run enterprises, the issue of upgrading the quality of printing and dyeing cotton textile products, the issue of conducting reforms in educational and scientific and technical systems, and the issue of dealing with the problems of concern to the masses.

Tianjin is an open city. Making use of the favorable conditions created by the CPPCC members through extensive social contacts and overseas relationships in order to serve the municipal programs of enforcing the open policy and conducting technical imports has constituted an important task of the CPPCC committee in service of economic construction. Through the work conducted by the members in liaison and making of recommendations during the past year, the municipal departments concenred have held talks with businessmen from foreign countries and Hong Kong with regard to 39 joint-venture business and technical cooperation projects. Of these talks, a deal on one item has been concluded, agreements with regard to six items have been signed, and other items are still being discussed.

3. Efforts have been made to conduct new exploration in promoting the progress in building spiritual civilization.

While opening new spheres in serving the programs of economic construction and conducting reforms in various fields during the past year, the municipal

CPPCC committee has also tried to work out a new road of making progress in building socialist spiritual civilization. In cultural and education aspects, the education group under the municipal CPPCC committee has carried out lecture activities and the literary and art group has held discussions on special topics. Both of them have put forward positive suggestions to the departments concerned. In conducting ideological construction, efforts have been made to chiefly conduct study on the policies and current situation and to publicize the advanced deeds and ideology displayed by the members.

At the end of 1985, the municipal CPPCC committee held an experience-exchange meeting and concentrated on publicizing the advanced ideology and touching deeds scored by more than 20 of the National CPPCC Committee members in Tianjin, the municipal CPPCC members, and the district and county CPPCC members with regard to making marked contributions to fostering the practice of having ideals and abiding by discipline, which found a warm echo in the hearts of personages of various social circles.

The work concerning literature and history and translation and editing constitutes an important task of the CPPCC committee in serving the program of building the two civilizations. During the past year, the municipal CPPCC committee has achieved new development in the work on historical accounts and past events. In addition to collecting historical materials, editing and publishing the "selected works" of municipal historical accounts and past events, the reorganizing and publishing the historical materials on special topics, the municipal CPPCC committee has also opened a service center for literary and historical books and periodicals and new publishing channels in order to better serve the personages of various social circles and to make things convenient for readers.

4. Efforts have been made to make progress in the cause of peaceful reunification of the motherland.

A series of correct principles issued by the CPC Central Committee with regard to dealing with the Taiwan issue, particularly the ideal of "one country with two systems," and the smooth settlement of the Hong Kong issue have exerted tremendous influence on Taiwan and the Overseas Chinese. Thus, the United Front Work Department has created an unprecendented excellent situation in work. To meet the need of the new situation and to make progress in the cause of peaceful reunification of the motherland, the motherland reunification fellowship committee under the municipal CPPCC committee has fulfilled the following four tasks: 1) Efforts have been made to enhance friendly contacts with Taiwanese compatriots, family members of personnel in Taiwan, and personages concerned; to invite them to attend the study and report meetings and the activities sponsored by the municipal CPPCC committee; and to organize them to view the new achievements scored in construction by the municipal administrative authorities. 2) Efforts have been made to enthusiastically receive letters and visits intended for the purpose of presenting petitions, to help such personnel deal with problems cropping up in their livelihood and in the implementation of policies, and to assist them to find their overseas relatives and to establish contact, through messages, with their overseas relatives. 3) Efforts have been made to present showings of Taiwanese documentary films, and to hold small-scale forums and report meetings on the Taiwanese situation in order to help them learn about the history of Taiwan and its current situation. 4) Efforts have been made to basically carry out the united front work abroad.

5. Efforts have been made to enhance guidance and contact with the CPPCC committees at the district-county level.

Developing the work of the united front and the CPPCC committee in rural areas represents the new characteristics in this regard in the new historic period. To follow the provisions of the CPPCC regulations and rules and to meet the need of developing the CPPCC work, the municipal CPPCC committee has further strengthened contacts with the CPPCC committees at the district-county level during the past year.

Fellow members, the year 1986 is the first year in which our country will begin to fulfill the Seventh 5-Year Plan; to implement the principle of "consolidation, digestion, supplementation, and improvement"; and to push forward in a down-to-earth manner the drive to conduct reforms in economic systems. In 1986 our mission is to continuously serve the three major tasks with the central work of building socialist modernization. Our work emphasis will be placed on helping the party and government do a good job in conducting reforms in economic systems and building socialist spiritual civilization while successfully conducting economic construction. In our work, we will vigorously encourage staff members to display the spirit of boldly pioneering roads and creating something new, stressing practical effects, and enthusiastically serving the members and personages of various social circles in order to scale new heights in CPPCC work under the new circumstances.

Our major tasks in 1986 are as follows:

1. Efforts should be made to closely coordinate the party's central task and to enrich the content of political consultation and democratic supervision in order to upgrade the quality of consultation and discussion.

2. Efforts should be made to bring into full play the strong point of the CPPCC committee, the think tank, and to vigorously make proposals in line with the programs of reforms and construction in order to be good advisers to and assistants of the party and government organs.

3. Efforts should be made to open new spheres in making progress in building socialist spiritual civilization. We should do much work in pushing forward the work of ideological construction while continuously pushing forward the work of culture and education.

4. Efforts should be made to earnestly organize members and the personages of various circles to attend study activities. Actively carrying out study activities on the current politics, situation, and policies, as well as Marxist theory, will constitute the important content of study activities this year.

5. Efforts should be made to enhance propaganda work and contacts with Taiwan.

6. Continuous efforts should be made to vigorously grasp the work of implementing policies.

7. The organs under the municipal CPPCC committee should improve their work style and upgrade their work efficiency.

Fellow members, under the leadership of the municipal CPC committee, let us display the spirit of the foolish old man removing the mountain, unite as one in struggles, work together with the people throughout the municipality in doing a good job in conducting reforms in economic systems and in building socialist spiritual civilization, and make still greater contributions to fulfilling the Seventh 5-Year Plan and building Tianjin into a new socialist city.

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JIANGSU GOVERNOR ADDRESSES MOBILIZATION MEETING

OW250336 Nanjing Jiangsu Provincial Service in Mandarin 1000 GMT 20 May 86

[Excerpts] The provincial government called a mobilization meeting in Nanjing today to speed up the construction of key projects and call on all quarters in Jiangsu to support key state projects more vigorously and to ensure their completion with short construction periods, good quality, low cost, and high efficiency, thereby facilitating economic advances for China and Jiangsu.

During the seventh 5-year plan, Jiangsu faces an arduous task in key construction projects. The budget for 13 projects this year totals 2.5 billion yuan.

Although the construction pace in Jiangsu has been faster than the national average in the first few months of this year, it is necessary to assess the difficulties the province faces in completing the arduous task soberly. For this purpose, Governor Gu Xiulian and Vice Governor Zhang Xuwu set the following four demands on the people of Jiangsu:

First, it is necessary to continue firmly adhering to the principle of controlling the scale to secure key projects, and paying close attention to strictly controlling the scale of investment in fixed assets in economic work.

Second, it is necessary to implement the guidelines for reform, perfect various reform measures, and steadfastly deepen the reform in line with the requirements for consolidation, assimilation, replenishment, and improvement in order to ensure the completion of key state projects with short construction period, good quality, low cost, and high efficiency.

Third, it is necessary to improve the construction market, replenish construction forces, and raise construction management level.

Fourth, it is necessary to further straighten out relationships, clarify responsibilities, improve workstyle, and overcome bureaucracy and unhealthy tendencies in mobilizing all quarters in the province to support key construction projects.

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DOJE CERING REPORTS ON XIZANG'S SEVENTH 5-YEAR PLAN

HK240257 Lhasa Xizang Regional Service in Mandarin 1130 GMT 23 May 86

[Excerpts] Regional Acting Government Chairman Doje Cering said in part three of his report on the region's seventh 5-year plan: The task of attaining the seventh 5-year plan is very arduous, and it is essential to adopt correct policies and effective measures:

1. We must continually straighten out the guiding idea on economic work. In order to do this, we must concentrate on solving two problems well: 1) We must continue to clear away leftist influence and seriously organize the cadres, especially those engaged in economic work, to study the central instructions on economic work in Xizang. 2) We must solve the problem of seeking truth from facts and basing all work on Xizang reality. This is of great practical significance for fulfilling the seventh 5-year plan and stimulating economic development and all undertakings in Xizang.

To do this, we must on the one hand seriously sum up the experiences and lessons and be bold to break down old concepts and conventions that do not suit Xizang realities, do not help to mobilize the masses' enthusiasm, and hamper the development of Xizang's productive forces. On the other hand, we must do our work creatively in light of the special conditions of Xizang and the changes continually taking place here.

2. We must carry out deepgoing and systematic reform of the economic structure. During the period of the plan, on the basis of consolidating, digesting, replenishing, and improving the existing fruits of reform in 1986, we must put forward a number of new reform policies and measures in a planned and prepared way. We should strive to lay in 5 years a foundation for a vigorous and lively socialist economic structure suited to Xizang's realities.

Economic structural reform during the seventh 5-year plan can be summaried into the following four main aspects: 1) Get a good grasp of invigorating the enterprises--the cardinal link--and truly turn them into relatively independent economic entities and socialist commodity producers and operators responsible for their own operations, profit, and loss. 2) Further enliven commodity circulation, and establish and develop a commodity market setup. We must regard reform of the circulation field as a major aspect of economic structural reform in the rural and pastoral areas. 3) Strengthen and improve the scope, degree, and measures of macroeconomic control and microeconomic invigoration. These must be compatible with the capacity of macroeconomic control. During the seventh 5-year plan, under the premise of striving to make regulation by market mechanism the dominant factor, we must give full play to the guiding role of the state plans and gradually perfect the various economic and legal measures. We must strengthen control over investment in fixed assets and readjust the investment orientation and structure. We must further reform the prices and taxes setup and the management setup. Through active readjustment of prices, we should gradually improve our ability to control the macroeconomy indirectly. 4) Strengthen lateral economic ties.

3. We must persevere in opening up to the world. We must first step up economic, technical, and cultural exchanges with provinces and regions relatively close to us, and then proceed to strengthen ties and cooperation with other provinces, municipalities, and regions. We must continue to open up to foreign countries. We welcome financiers, businessmen, Tibetan compatriots living abroad, Hong Kong and Macao compatriots, and overseas Chinese living abroad to cooperate with Xizang in economics, technology, and capital and to engage in various developmental activities. We will provide them with the necessary protection, conveniences, and preferential treatment.

4. We must develop more sources of increasing financial revenue. We should do everything possible to tap new sources of revenue, get a good grasp of reducing deficits and increasing surpluses, and improve tax collection work. We must strictly control administrative expenditures and the purchasing power of social groups, strengthen fiscal supervision, and strictly enforce fiscal discipline.

5. We must control the scale of capital construction and improve management. During the seventh 5-year plan, we must regard controlling the scale of capital construction investment, especially investment in non-productive construction, and readjust the investment orientation and structure as an extremely important question and solve it really well. In capital construction management, we must perfect the basic work involved in investment management and strive to save investment, reduce construction cycles, and improve economic results.

6. We must persevere in grasping the two civilizations simultaneously. We must attach great importance to developing the Tibetan cultural heritage and also pay attention to absorbing the outstanding culture of other nationalities. It is essential to strengthen and improve ideological and political work, correct unhealthy tendencies, eliminate rottenness, and crack down hard on serious economic and other crime.

7. We must do a good job in structural reform and improve work style.

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PROVINCIAL AFFAIRS

YUNNAN'S HE ZHIQIANG ON EDUCATION, DISASTER MEASURES, CONTROLS

HK020147 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 1 May 86

[Excerpts] He Zhiqiang spoke on this year's science, technology, and education work in his government work report. He said: While continuing to carry out reforms in the science and technology setup, we should prepare for the following tasks: 1) This year we should achieve initial results in scientific research projects concerning breeding aquatic products on the plateau, cultivating tropical fruit, processing animal products, and developing expensive medicinal herbs. 2) We should grasp 23 key projects including the assessment of fine-strain grain seed and the exploitation of natural spice resources. These projects are centered on important issues in the province's economic construction. 3) In popularizing and applying technology, we should encourage able hands and path-breakers from the interior to go to the border areas to disseminate the technology needed there. We should send science and technology personnel to therural areas, border regions, and poor areas to popularize technology. 4) We should organize more science and technology markets in a number of prefectures and counties, so as to stimulate the popularization of the existing fruits of research.

On education work, the report proposed that the province should concentrate on eight tasks this year: 1) Firm up and make good use of education funds. 2) The province and the prefectures and counties should be responsible for training over 20 percent of their primary and secondary schoolteachers. 3) Prepare for the establishment of vocational and technical education centers in various places. 4) Organize courses in mining and metallurgy for Nujiang and Wenshan prefectures. 4) Publicize the law on compulsory education. 6) Tertiary institutes should add such specializations as cured tobacco, tourism, and arts and crafts design and manufacture. 7) Step up and improve ideological and political work in the schools and further correct the ideas on running schools. 8) Organize a provincial education commission to grasp the educational development of the whole of society in a unified way.

Governor He Zhiqiang said in his report: "There have been many natural disasters this year, which have had a serious impact. To make proper arrangements for the livelihood of the urban and rural people is an extremely important task for the government at all levels.

The CPC Central Committee and State Council are extremely concerned for the people in disaster areas of Yunnan. They have sent us relief grain, funds, and materials. The provincial CPC committee and government have taken corresponding measures. In the next stage, we must devote great efforts to grasping agricultural production and stabilizing grain prices. We must also send industrial goods to the rural areas and organize supplies of daily necessities.

We must do a good job in macroeconomic control this year. First, we must control the size of investment in fixed assets. Second, we must effectively control irrational growth of consumption funds. We must further strengthen control over workers' wage funds and administrative spending. It is strictly forbidden to pay out random bonuses, subsidies, and so on.

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QINGHAI PROMULGATES REGULATIONS ON GOLD MINING

HK270705 Xining Qinghai Provincial Service in Mandarin 2230 GMT 23 May 86

[Text] On 28 April, the provincial government printed and distributed the province's interim regulations on managing local gold mining and purchase. The regulations urge that based on the principles of opening up, invigoration and improving management, all localities should plan in a centralized way, make overall arrangements for, utilize in a comprehensive way, and rationally develop the province's gold resources.

The interim regulations point out: Gold and other mineral resources are owned by the state. Nobody or no unit is allowed to randomly mine the resources without permission. No collective or individual is allowed to mine in areas which will be developed according to state plans and are under exploration. In case the town and township collective enterprises, as well as individuals, run mines in joint ventures, they must submit themselves for examination to the people's government at and above the county level. Before the provincial people's congress standing congress promulgates the management procedures, they must report to the gold management bureau of the provincial heavy industry department for approval, and should get a permit for mining gold. Then, they should apply for a business license at the industrial and commercial administrative department. Any individual who engages in gold mining should register himself at the county government, which will handle the work in a centralized way, and should apply for a gold mining permit at the county department in charge of gold mining. At the same time, he should sign a gold purchase agreement. Without approval, all localities should not accept the application of those who come from places other than the province to mine gold, run mines or to mine through joint ventures.

The interim regulations stipulates: The province adopts the practice of purchasing the gold in an all-round way. The provincial heavy industry department's gold management bureau will, according to the number of local gold miners, work out an annual mandatory plan for the work, which will be included in the province's national economic plan and will be assigned down to the gold management departments at all levels. From now on, the People's Bank and its branches or other specialized banks entrusted by the People's Bank, are responsible for gold purchases. Any unit or individual who is not entrusted by the bank is prohibited from purchasing gold without permission. Otherwise, he will be assumed to be smuggling and trafficking gold and will be punished for this.

The interim regulations urge all organizations and individuals who engage in gold mining to deliver all their gold and minerals mined to the banks. They are prohibited from privately selling, purchasing, taking for use, exchanging and hiding them. All localities should supply on a priority basis those commodities that are in short supply to peasants who fulfill or overfulfill the annual quota of offering gold for purchase. The provincial government will give awards to those counties that fulfill or overfulfill the annual quota of gold purchase. In addition, the provincial government will, in connection with the amount of gold purchase, allocate to the counties an amount of retained gold for foreign exchange.

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BRIEFS

HUNAN PEOPLE'S CONGRESS SESSION--The fourth session of the Sixth Hunan Provincial People's Congress victoriously concluded in Changsha on 31 May. The session called on the workers, peasants, intellectuals, cadres, PLA commanders and fighters, public security cadres and policemen, democratic parties, mass organizations, non-party democratic figures, and all laborers and patriots who love the socialist motherland to unite as one under the leadership of the CPC Central Committee, State Council, provincial CPC committee, and provincial people's government, display the foolish old man's spirit of creation through arduous work, and strive together to victoriously accomplish the seventh 5-year plan. The closing ceremony was attended by Mao Zhiyong, Xiong Qingquan, Wang Zhiguo, Zhao Chuqi, Shi Xinshan, Cao Wenju, Chen Xinling, Zhou Zheng, Xu Jinhu, (Pei Xiaoquan), (Shi Hongxin), (Liu Guoan), and Gu Shanqing. Executive Chairman Jiao Linyi presided. The session unanimously adopted resolutions on the government work report and the province's seventh 5-year plan for national economic and social development. [Excerpts] [Changsha Hunan Provincial Service in Mandarin 2200 GMT 31 May 86 HK] /6662

CSO: 4006/1071

ECONOMIC PLANNING

HUNAN PLANNING CHIEF REPORTS ON 1986 ECONOMIC PLANS

HK260225 Changsha Hunan Provincial Service in Mandarin 0900 GMT 25 May 86

[Excerpts] (Wang Xiaofeng), director of the provincial planning commission, said in his report to the provincial people's congress session on the draft national economic and social development plan for 1986 that this year, in the aspect of reforms, the province should concentrate on consolidation, digestion, replenishment, and improvement, in preparation for taking new strides in reform next year and the year after. In economic construction, the province must continue to control investment in fixed assets and excessive growth of consumption funds. The province will also strive to improve supplies, further invigorate the economy, and work for a rough balance between total social supply and demand, to enable the national economy to develop in a steady and coordinated way.

(Wang Xiaofeng) introduced the main economic targets and specific tasks in the 1986 plan. Industrial and agricultural output value should rise by 7.5 percent over 1985 in terms of 1980 prices. Agricultural output value, not including industry at village-level and below, should rise by 5 percent, and industrial output value, including industry at village-level and below, should rise by 9 percent. Gross domestic product should rise by 8.5 percent over 1985. National income should rise by 7.6 percent. Financial revenue should rise by 4.6 percent.

(Wang Xiaofeng) also proposed the main measures for fulfilling the 1986 tasks: 1) Readjust the rural production structure in a planned way, ensure steady increase in grain output, and promote diversification. 2) Improve product quality, reduce input, and ensure an appropriate industrial growth under the premise of improving economic results. 3) Strictly control investment in fixed assets, readjust the investment pattern, and step up construction in energy, communications, raw materials in short supply, agriculture, science, and education. 4) Expand foreign exchange earnings from exports and develop foreign economic relations and trade. 5) Expand commodity circulation and arrange market supplies well to meet the needs of improving people's living standards. 6) Further develop education, science, culture, public health, and physical culture, and vigorously step up the building of socialist spiritual civilization. 7) Step up the work of opening up the mountain areas; and help old revolutionary bases, minority-nationality areas, and remote and poor areas to eradicate poverty and get rich, so as to promote coordinated development of the entire provincial economy. 8) Continue to carry out reforms in the planning setup and strengthen and improve macroeconomic control.

(Wang Xiaofeng) discussed a number of tasks to be tackled this year in reforming the planning setup:

1. Strictly follow the state mandatory plans and gradually improve the management of guidance plans. We should suitably reduce mandatory planning and uphold the principle that whoever issues mandatory plans is responsible for the balancing and coordination of the main production conditions involved.

2. Strengthen control over investment in fixed assets. Thorough assessment must be made of new projects, especially large and medium projects. An evaluation system must be established. Policymaking must be prudent, and strict controls must be exercised. It is particularly important to control the construction of high-standard centers, large buildings, hotels, and office blocks.

3. Continue to strengthen controls over consumption funds and foreign exchange. The control indices governing the number of workers, the total wage bill, and the use of foreign exchange in units owned by the whole people, and those regarding foreign borrowing [words indistinct] arbitrarily exceeded.

4. Improve preparatory work for the plans, along with economic information and forecasting work. In the future the planning commissions must organize the departments and units concerned to repeatedly study, assess, and compare [word indistinct] macroeconomic policy decisions, major productive forces arrangements, and major projects involving investment in fixed assets. Such items can only be included in the plans after the provincial government has decided on them. In the future, without going through these procedures, it is forbidden to put forward temporary motions that would upset the balance of the plans.

5. Actively promote and encourage the development of lateral economic ties.

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ECONOMIC PLANNING

GUANGZHOU DEVELOPMENT STRATEGY DISCUSSED

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 5 Jan 86 p 2

[Article by Lin Qixiang [2651 0796 4382]]

[Text] The overall guiding principle for economic and social development in Guangzhou for this century is: With foreign trade as guide, industry and agriculture as support, and light industry, textiles, and tertiary industry as focal core, to construct Guangzhou into a highly civilized, multifunctional, modern socialist central city with strong domestic and international ties. Not long ago at a press conference held in Beijing, responsible comrades from the municipal CPC committee and government answered the following questions:

1. The Question of Direction: Are there differences of opinion regarding the determination of direction? Yes. Some comrades feel that the proportion of the national economy held by foreign trade was not great, only a bit more than 10 percent of the GVIAO. Guangzhou is a center for the accumulation and distribution of national commodities with an estimated 8 billion yuan in total retail commodity sales this year making it second only to Shanghai and Beijing. Therefore, it should be a commercial city and not neglect domestic trade. Does this mean that domestic trade should be central for Guangzhou? Indeed, the current position of domestic trade is vital. Guangzhou products have a good reputation in national markets and sell very well. However, Guangzhou is the great southern gate of the motherland, is adjacent geographically to Hong Kong and Macao, relies on the rich Zhu Jiang delta and has been China's major international commercial port for some time. At present eight southern and southwestern provinces engage in import and export via Guangzhou. The total trade volume of goods via Guangzhou is approximately 10 percent of the national figure. Therefore the city is in an advantageous position regarding the outside. It is a focal point for importation and internal linkup and is in the forefront of China's efforts to get into international markets. From the viewpoint of developmental strategy, Guangzhou should take the lead and focus on foreign trade and business. This is necessary for both China's economic construction and socialist modernization. Of course, this does not imply that domestic trade can be neglected. To the contrary, we must make full use of the role of domestic trade in Guangzhou's economic and social development. Neither aspect should be excessively stressed or ignored. Guangzhou must not only strengthen internal ties, but must emphasize tertiary industry as well and improve the investment environment and pre- during- and post-production services.

2. The Question of Developing Key Focal Points: When proposing taking industry and agriculture as support and light industry, textiles, and tertiary industry as focal, shall we stress tertiary industry? Since the liberation industrial development has been central in Guangzhou, because at the time, it was believed that Guangzhou was a commercial consumer city and was criticized as a semifeudal, semicolonial urban center. Therefore the role of industry was frequently emphasized. Now in light of the demands of strategic development, Guangzhou's economic life should revolve more around foreign trade, whose special needs heavy reliance on industry cannot meet, considering Guangzhou's special characteristics and strategic position. Of course, industry and agriculture have to be relied upon in attempts to focus on foreign trade, but in order to make full use of the city's role as a national, large-scale central city and to enable it to become a strong supply center, Guangzhou's history, current conditions, and resources of capital must all be considered in building it into a major national base for light industry and textiles. We must follow the directions of foreign economic and foreign trade to do a good job of the city's economic construction. We must change the old tendency of emphasizing production while disregard circulation, or emphasizing economic construction while neglect urban construction. Only by focusing on the development of tertiary industry while emphasizing light industry and textiles can we improve Guangzhou's role as a city, provide high-quality diversified services, and create strong domestic and international ties for the city. Of course, the development of tertiary industry will have an obvious effect on local finances, as industry is a major factor in the industrial structure and the largest revenue support for local finances, providing approximately 60 percent. Tertiary industry often involves the social welfare, requires much input and brings in little income. However, the development of tertiary industry is inevitable and remains a key question. Local revenue may be negatively effected for a period of time, but this is just a temporary problem in the course of development which must be passed. After the industrial structure has been made more rational, development will be smooth.

3. The Question of the Relationship Between Domestic and International Trade: Will focusing on foreign trade lead to competition with domestic trade for supply of goods and adversely effect inland ties and supply to local markets? At present domestic trade in Guangzhou amounts to more than 8 billion yuan while foreign trade volume totals a mere one billion or so yuan, so its influence is not great. Some contradictions do exist in the expansion of exports and the supply of goods, but as long as production improves and popular, salable goods are manufactured, this will not matter too much. The current conflict is due to the fact that big profits can be made selling Guangzhou goods domestically, while foreign exchange conversion rates are not advantageous for exporting. However, we must continue to energetically provide political support and economic encouragement for the export trade. Another contradiction is that few commodities are left after export and the purchasing power of the remaining RMB is increased, which is not helpful in balancing local commodity supply and demand. Still, the present problem is not serious, as the state has increased the amount of foreign exchange that can be retained locally while decreasing the amount of RMB. Locally retained foreign exchange can be used to import raw materials and equipment. Locally manufactured

products not only can be exported, relieving pressures of domestic demand for sources of supply but can lead to increased volume of commodities available on the domestic market. In addition, it also should be noted that by greatly developing horizontal commodity relations, Guangzhou's total volume of local commodity supply and exports can be markedly increased while internal and external contradictions regarding sources of goods can be alleviated. With 26 provinces and cities across the nation having already signed over 900 contracts with Guangzhou, the city has achieved much in the realm of developing horizontal ties.

4. The Question of the Relationship Between the Coast and the Interior: Will the focus on foreign trade and international linkups with the interior increase the differences and contradictions between the coast and the interior? No it will not, because with the guidance of correct principles this relationship can be successfully dealt with, something which has already been demonstrated by the past several years of experience. Mutually beneficial cooperation can be strengthened between the coast and the interior as commodity ties between the two regions are improved. Our primary principle is: to adhere to equality and mutual benefit and rational prices. This is vital. The second principle is one of mutual development and prosperity. The third calls for the strict observance of contracts. Over the last few years we have opened up the city gates to allow agricultural by products and other products from the outside to enter, causing the supply of nonstaple foods and vegetables to Guangzhou to increase twofold in 1978, increasing the revenue of inland provinces, and enabling us to obtain many raw materials from the interior. An example would be the successful, mutually beneficial cooperation between Guangzhou's Huanan Sewing Machine Co. and Henan. In supporting Henan, Guangzhou received a contract guaranteeing the annual provision of 20,000 tons of coke for 30 years. We are not only providing the interior provinces with a large volume of light industry and specialty products, but can also improve economic and technological cooperation and distribute some of Guangzhou's advanced, superior technology into the interior to promote the development of inland commodity production and improve commodity quality. Many of these technological exchanges have been quite successful, have satisfied both parties and have led to even closer relations. In short, there are great prospects in store for ties and cooperation between Guangzhou and the interior.

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ECONOMIC PLANNING

BRIEFS

JIANGXI DEVELOPMENT MEETING--The Jiangxi Provincial Society for Development of the Sanjianghu Areas held its third enlarged meeting from 6 to 22 May. During the meeting, professors, experts, and scholars from Jiangxi and other provinces conducted scientific surveys and offered on-the-spot guidance in Boyang Hu, the Gan Jiang basin, the Jinggangshan Nature Conservation Area, and the mountainous areas in southern Jiangxi. They also discussed questions related to the outline of the comprehensive plan for the development of the Sanjianghu areas. Provincial party and government leaders Wan Shaofen, Pei Dean, Zhao Zengyi, (Chen Guizun), and Zhang Fengyu and veteran Fu Yutian attended the meeting. [Excerpts] [Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 23 May 86 OW] /6662

NATIONAL FEASIBILITY STUDY SYMPOSIUM--The second national symposium on feasibility study and economic assessment ended today in Kunming. Close to 100 experts and scholars attended the symposium, giving suggestions of a policy nature concerning the reform of the current system of making policy decisions on investment projects, establishment of a system of responsibility for the whole decisionmaking process, and improvement of analytical techniques to be applied in making such policy decisions. [Text] [Beijing Domestic Service in Mandarin 1100 GMT 19 May 86 OW] /6662

CSO: 4006/1071

VICE GOVERNOR ASSESSES SICHUAN'S INDUSTRY, COMMUNICATIONS

HK270730 Chengdu SICHUAN RIBAO in Chinese 12 May 85 pp 1, 4

[Report: "Do Everything Possible To Boost Industry and Communications Production"]

[Excerpts] A SICHUAN RIBAO reporter recently interviewed Vice Governor Pu Haiqing on the current situation in the province's industrial and communications production. Comrade Pu made the following remarks:

In the first quarter of this year, our province did not satisfactorily fulfill its production tasks for industry and communications. After much effort on the part of the government departments at all levels and the enterprises, industrial production was slightly better in April than it was in March, or basically the same as it was in the corresponding period of last year. However, total industrial output from January to April was still lower than in the corresponding period of last year.

The characteristics of industrial and communications production from January to April this year were as follows: Most localities fulfilled their industrial production tasks quite satisfactorily, with Suining, Zigong, Leshan, Liangshan, Deyang, and Nanchong registering an increase of over 10 percent, while a number of localities registered a sizable drop in production. Viewed from the conditions in various trades, the output of township enterprises rose considerably, but the output of the second light industrial enterprises dropped by 5.15 percent. The situation in transport and communications was fairly good. In April, the volume of rail freight and the volume of local goods transported by the three railway sub-bureaus in Sichuan increased over the corresponding period of last year. Electricity production gradually picked up and the peak volume of electricity generated in a day reached over 49 million kilowatt-hours in April.

The heavy backlog in industrial and communications production from January to April has made it more difficult to fulfill the production task for the whole year. However, we should be fully aware of the favorable factors in current industrial production: 1) The high water season will soon be here and electricity production will pick up very quickly. 2) After great effort on the part of the banks, the shortage of circulating capital has eased to some extent. 3) Some foreign exchange has recently been made available to import certain quantities of urgently needed raw materials. 4) The relatively satisfactory conditions in transport and communications, particularly in railway and water transport, can meet the transportation needs of various trades and industries. 5) The policies of invigorating the economy have gradually been refined and implemented. 6) All localities and departments have full confidence in fulfilling the industrial production tasks for this year. They pay close attention to industrial production and are adopting affective measures. As long as we make full use of these favorable factors and pay close attention to all fields of endeavor, it is entirely possible for us to fulfill the industrial production tasks for this year.

To make sure that the province's plan for industrial and communications production can be fulfilled, the governments of all levels, the departments in charge of economic work, and the leaders of all enterprises should persist in reform, rouse themselves, strengthen their resolve, and dare to take up responsibility and to tackle problems and to conscientiously strengthen leadership over industrial and communications production organizations. At present, it is necessary to carry out well the following tasks:

1. The departments in charge of economic work at all levels and the principal responsible comrades of various cities, prefectures, and autonomous prefectures should conscientiously analyze both the favorable and unfavorable factors in the economic development of their own localities and departments, go down to the grassroots units to conduct investigations and studies, adopt effective measures, direct production, and solve practical problems. They should not remain on the surface and talk in general terms. The economic commissions at all levels should take the initiative to solve various problems such as circulating capital, materials, the financial and tax contract system, rewards, and punishments, in coordination with the financial, taxation, banking, material, and labor and personnel departments.

2. Leading cadres at all levels should go down to the frontline to conduct ideological and political work and to persist in grasping the building of both spiritual and material civilizations.

3. We must persist in reform, protect the people's initiative for reform, and use reform to stimulate industrial and communications production. It is necessary to conscientiously implement the policy of consolidation, assimilation, replenishment, and improvement, to continuously adhere to the effective reform measures and the policies of invigorating the economy and enterprises, and to make further efforts to improve the imperfect. It is necessary to strictly implement various forms of the contract-based economic responsibility system and to honor commitments on rewards and punishments. Further effort should be made to implement the director responsibility system and to institute the system under which a director is responsible for fulfilling the set quotas during his term in office.

4. It is necessary to firmly grasp the production of readily marketable products and to expand the sales of locally manufactured goods. Where conditions permit, efforts should be made to increase the output of readily marketable products.

5. It is necessary to vigorously boost electricity production and to save on electricity. The electricity departments should tap existing potential and strive to generate more and stable electricity. They should also strive to purchase more electricity from other provinces. It is necessary to rationally coordinate the high electricity consumption season with the low and to use electricity in a thrifty and planned way so that our limited energy can play a greater role. We should pay close attention to the rate of progress and the commissioning of products under construction. The expansion of the Chongqing and Yizixi power plants should be speeded up in such a way that they will go into operation and generate electricity at an early date.

6. We should grasp the weak links, classify the problems in order of importance and urgency, and give them guidance. With regard to those localities and enterprises whose output has dropped and which are far behind in production, it is necessary to make studies and to adopt effective measures in order to solve the existing problems and to boost production. With regard to those localities and enterprises which give a good account of themselves in production, it is necessary to sum up and publicize their experience so that they will continue to forge ahead and scale new heights. With regard to key and readily marketable products, priority should be given in the supply of energy, raw materials, and funds in order to stimulate production. With regard to unsalable products or products kept long in stock, it is necessary to restrict or stop their production or to turn to other lines of production by stopping or restricting the supply of energy, raw materials, and funds. Energetic effort should be made to increase the output, purchase, and supply of crucial raw materials.

7. Vigorous effort should be made to grasp improvement of economic results and projects scheduled to go into operation this year. It is necessary to correctly handle the relationship between growth rate and economic results. While paying close attention to growth rate, we should strive to improve product quality, to reduce material consumption, and to lay emphasis on safety in production. It is necessary to practice target management to ensure the achievement of the objectives as scheduled. With regard to those projects scheduled to go into operation this year, we should firmly grasp their rate of progress so that they can be completed and commissioned at an early date.

May and June are the prime months in industrial and communications production. It is necessary to step up production management and to concentrate our energy on boosting production in order to lay a good foundation for the fulfillment of the plan this year.

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CSO: 4006/1059

XINJIANG HOLDS MEETING ON UTILIZING FOREIGN FUNDS

HK240808 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 21 May 86

[Excerpts] The regional meeting on the work of utilizing foreign capital, which concluded this afternoon, decided that in utilizing foreign capital in the future we should stress the development of advanced technology of a productive nature which is needed in the course of exploiting and building Xinjiang, vigorously develop projects that can earn foreign exchange, and do everything to invigorate Xinjiang's economy.

The meeting held: During the Sixth 5-Year Plan period, our region made a good start in utilizing foreign capital. All places and departments must further free their minds and be bold in carrying out exploration so that our region can make new breakthroughs in utilizing foreign capital.

The meeting pointed out: Utilization of foreign capital is an important aspect of the national economy. We must strengthen macroeconomic control and planned management. Proceeding from the overall interests of the region, in accordance with their practical requirements, all places and departments must formulate an overall plan for utilizing foreign capital.

The meeting demanded: Projects that utilize foreign capital must be carried out in accordance with the procedures of examination and approval, and in accordance with legal procedures. It is essential to perform the feasibility studies of the projects well and to make good preliminary preparations.

It is imperative to link the utilization of foreign capital with the technological transformation of existing enterprises to promote their technological progress.

Leaders of the region, including Comrades Zhang Sixue, Qi Cuo, Huang Baozhang, Hede Erbai, and (Jin Niuhui), attended the meeting and spoke.

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CSO: 4006/1059

GANSU HOLDS MEETING ON URBAN ECONOMIC REFORMS

Governor Stresses Lateral Ties

HK220615 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 21 May 86

[Excerpts] Governor Jia Zhijie said: To develop and invigorate Gansu's economy, we must make a breakthrough in developing lateral economic ties and find new ways that require little investment and a short cycle and produce quick results. He gave this view at the first provincial conference on urban economic structural reform, which opened on 21 May.

He said: Gansu has very great potentials for lateral ties and economic development. However, the key to whether the potential can be translated into actual economic strength lies in our work performance. There are two possibilities and two kinds of future: 1) becoming poor through guarding our potential, and begging with a golden bowl; and 2) working hard to take advantage of our strong points and tap our potential, promoting ties through opening up, and invigorating the province's economy through developing ties. We can only choose the second. We must pioneer new roads, create new experiences, and put forward new demands in lateral economic ties.

This conference, convened by the provincial CPC committee and government, will sum up and review the progress of urban reforms in the past few years, analyze and study the tasks of urban reforoms in the new circumstances, and focus efforts in making arrangements for lateral economic ties.

Xu Feiqing, chairman of the provincial People's Congress standing committee, vice governors Liu Shu and Zhang Wule, and responsible comrades of departments concerned, including the provincial economics commission, attended the opening of the conference.

Governor Jia Zhijie said in his speech: Diffusion and joint operations are becoming a new factor in the province's economic growth that we cannot neglect. According to statistics, in 1985 the province completed 209 diffusion and joint operations projects with a total output value of 340 million yuan, a rise of 125 percent over 1984.

Jia Zhijie continued: Generally speaking, the province's lateral economic ties have made a start along the road. Apart from achieving a certain degree of economic results, we have also explored some forums with Gansu characteristics. There are great prospects for developing lateral economic ties in Gansu. There are broad fields and potential for this work. We have all kinds of potentials. Strong points are potentials. Weaknesses are also potentials. There are actual potentials and also latent strong points. We must therefore break through narrow-minded regional and departmental concepts, discard conventional vertical and horizontal bindings, further emancipate our minds, relax the policies, and ensure that economic ties can progress through many channels, in many forms, at many levels, and in all directions. We should organize some enterprise groupings that have the nature of consortia.

Jia Zhijie also introduced some initial ideas of the provincial authorities. He said: The main goal of the lateral economic ties plan for the 3 years 1986-88 is to organize 502 joint operations projects, with an output value of 1,668 milllion yuan and producing 311 million in profit and tax; the goal of endeavor for 1986 is to organize 265 joint operations projects with an output value of 508 million yuan and producing 89 million yuan in profit and tax. After these goals are attained, the province's economic strength will be further boosted, the rapid development of industrial and agricultural production will be promoted, and the people of the whole province will derive still greater real benefit.

Vice Governor Views Development

HK260415 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 25 May 86

[Excerpts] The Gansu provincial conference on urban economic structural reform concluded in Lanzhou on 25 May. Governor Jia Zhijie presided at the meeting. Vice Governor Zhang Wule gave some views on further developing lateral economic ties:

1. We must bring into further play the main force role of large and medium enterprises in lateral economic ties. Such enterprises should regard stimulating the ties as a task for which they should be responsible in invigorating Gansu's economy.

2. Key cities should further play a main factor and pivotal role in lateral economic ties. The current urgent task is to establish and open up markets of all types to provide coordinated services in production and daily life materials, small commodities, capital, labor, science and technology, and information.

3. The government departments should shift their functions and provide coordinated services in lateral economic ties while also providing macroeconomic guidance. They should guide the enterprises to switch from the production form of being small but complete to specialized production.

4. We must further speed up our pace of opening up to the world. This involves opening up to other places in the province as well as to other parts of the world. Through forging ties with other provinces and

municipalities, we should not only improve the quality of our enterprises, but more important, acquire advanced technology and experiences and train our own talented people.

5. We must focus on key points and vigorously firm up the 3-year plan for developing lateral economic ties. At present we should concentrate on projects that can produce results this year.

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CSO: 4006/1059

CONFERENCE DISCUSSES ECONOMY OF SOUTHWESTERN CHINA

Five-Party Meeting Held

HK231058 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 22 May 86

[Text] During the third session of the five-party economic coordination conference, representatives of various parties discussed the major issue of rejuvenating the economy in southwestern China. The participants held that we must make good use of the present good situation in developing lateral economic ties, and promote the development of lateral economic ties among the five parties to a new level.

During the session, the representatives expressed their views and made useful suggestions on major and strategic issues concerning the five parties. The conference was marked by equality, unity, and cooperation.

(Xia Feng), vice chairman of the Chongqing City Economic Cooperation Office, said: The ties among enterprises are the basic form of the lateral economic ties, as well as the focal point of development. The five-party economic coordination conference should overcome obstacles for enterprises in the areas of establishing ties, so that they can dispel their worries and go all out in the work. Presently, we should resolutely implement the State Council stipulation on further promoting the lateral economic ties. In connection with our actual conditions, we should consciously do well in the work.

(Zhang Jiabin), vice chairman of the Guizhou Provincial Economic Office, said: It is very important that the five parties support each other. In the wake of further development of the ties among us, we should discuss the formation of economic combines, and group together the major, minor, long-term, and short-term projects so that we can achieve more in lateral economic cooperation.

(Huang Ziji), vice chairman of the Quangxi Regional Office for Transforming Enterprises, said: The five-party economic coordination conference must make decisions and plans for major issues, such as the development of the basin of the Hongshui He, and building the Lanzhou-Kunming Railway. It should strengthen macroscopic guidance in the area of lateral economic ties, and provide good services. We should promptly make arrangements for dealing with some issues, so that the lateral economic ties will be developed healthily.

(Zhou Mingju), vice chairman of the Sichuan Provincial Economic Coordination Office, took the cases of Sichuan and Yunnan as examples for showing the achievements of developing economic and technological cooperation. He said: Last Year, Sichuan and Yunnan were linked together. Most economic cooperation projects jointly run by Chengdu and 11 prefectures, autonomous prefectures and cities, and Yunnan have been the successful ones. Furthermore, the provinces now plan to establish a long-term and stable cooperation relationship between Dukou City and western Yunnan.

(Huang Hengqiu), deputy head of the Yunnan Provincial Department for Rural Work, said: In the past, the economic coordination conference only discussed matters concerning industry and commerce. This conference, however, discussed the issue of developing the natural deposits in subtropic and tropical areas in southwestern China. This has raised the issue of agriculture to the level of economic ties and coordination, which is a good move. The five parties should make joint efforts and do well in investigation and planning.

Concerning the strategy for comprehensive surveying and developing the natural resources of southwestern China, the participants held that this is a strategic task that attracts great attention from the party, state, and the peoples of various nationalities. It is also very important preparatory work for developing southwestern China. The parties should coordinate with each other, give play to the roles of central and local authorities, and quickly achieve results.

Concerning the practice of taking a further relaxed attitude toward policies and giving supports to focal points in areas inhabited by minority nationalities, the participants said: The five parties have a total minority nationality population of over 37 million, accounting for some 60 percent of China's total population of minority nationalities. Comparatively speaking, the economy and culture in the areas are still backward. Thus, the state should adopt special measures to help quicken the economic development of areas inhabited by minority nationalities. The present focal point of the work is to help those severely poverty-stricken areas use the local advantages to develop production by self-reliance, thereby gradually improving the people's living standard.

Economic Coordination Conference Concludes

HK250331 Kunming Yunnan Provincial Service in Mandarin 2200 GMT 24 May 86

[Excerpts] The third session of the economic coordination conference of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing victoriously concluded in Kunming on 24 May after completing all its agenda. The meeting was held under the close concern of the CPC Central Committee and State Council. Pu Chaozhu, chairman of the session and secretary of the Yunnan Provincial CPC Committee, presided and made the closing speech.

This session was held in a new situation since the state's seventh 5-year plan has listed the three provinces, one autonomous region, and one city of the southwest as one of the five grade-one economic zones in the country, and the central authorities are regarding lateral economic ties as an important component part of economic reform. During the session, responsible comrades of the central departments, well-known figures, experts, and scholars put forward a number of very good and sincere suggestions and views. They incisively elaborated on the importance and prospects in developing lateral economic ties. This played an important guiding role in making a success of the session.

The session held: At present the key to economic development in the five conference members lies in vigorously grasping circulation, communications, capital flow, and energy, and in working hard to assign joint undertakings and developing an important strategic position and to build a regional market setup among the five members, as a contribution to promoting the establishment of a unified socialist market setup in the whole country.

During the session, as a result of the common efforts of all parties, on the basis of summing up previous experience and in light of developments, the participants revised, discussed, and approved a number of principals for the economic coordination conference, some views on vigorously promoting multilayer lateral economic ties, and other documents. Agreements were reached on 228 cooperation projects.

The meeting decided that, since the Xizang Autonomous Region has been formally accepted as a member of the economic coordination conference, the next session will be a six-party affair, with the participation of three provinces, two regions, and one city.

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ECONOMIC MANAGEMENT

CHONGQING LEADER DISCUSSES ECONOMIC COOPERATION

HK250307 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 24 May 86

[Excerpts] On 22 May, Huang Ye, leader of the Chongqing delegation and vice mayor of Chongqing, made a speech at the five-party economic coordination meeting, in which he introduced the development of Chongqing's economic ties and cooperation with the other parties since the last session of the conference and put forward ideas on the future development of lateral economic ties.

He said: Chongqing is a comprehensive industrial city. Its economy will develop still faster when the economy of the southwest provinces and regions has developed. With its economy developed, Chongqing can also provide better service for the economic development of the southwest provinces and regions. In the past few years, Chongqing enterprises have signed agreements on 256 cooperation projects with enterprises elsewhere in the region, and 150 of these are now underway.

Huang Ye also said: After this session, Chongqing will open its gates wider and advance in big strides. We will develop economic, scientific and technical, and social ties and cooperation in all fields and take lateral economic ties to a new stage. 1) We should seriously firm up the agreements discussed and decided on by this meeting. 2) We should further develop ties and cooperation between trades. 3) We should further establish and develop markets for production and daily life materials, technology, finance, and labor, and gradually form a complete marekt setup. 4) We should step up exchanges of technology, culture, and information. 5) We should improve and strengthen service work and create a very good environment and conditions for developing lateral economic ties. 6) We should reform the financial management system to stimulate the development of lateral economic ties.

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CSO: 4006/1059

HENAN PLANNING GROUP VIEWS INDUSTRIAL PERFORMANCE

HK250651 Zhengzhou Henan Provincial Service in Mandarin 1130 GMT 24 May 86

[Excerpts] The provincial planning and economic commission held a production direction conference on 23 May, which proposed that the target management responsibility system be established in economic work in all prefectures, cities, and departments and bureaus concerned, to ensure the fulfillment of the province's industrial production task this year.

Zhong Lizeng, chairman of the commission, said at the meeting: The province's industrial output value in the first 4 months of the year showed a rise of only 0.2 percent over the same period last year. Economic results declined somewhat. In order to resolutely promote industrial production, it has been decided to institute the target management responsibility system in economic work in all prefectures, cities, and departments.

Beginning in May, the provincial government will periodically examine the production performance not only of the prefectures and cities but also of the departments and bureaus concerned. The provincial government will commend those units fulfilling their target management goals and will reward enterprise leaders who overfulfill their goals.

Zong Lizeng also announced 10 other measures for grasping industrial production. The important ones are: Persevere in reform; increase output of products in market demand; continue to solve the shortages of electric power, raw materialas, and capital; do a good job in sales of products; improve the coordination of industry and commerce; strengthen control over production; and promote labor emulation.

Vice Governor Gin Kecai also spoke at the meeting. He said: The plan to increase industrial output value by 8 percent this year was approved by the recent fourth session of the sixth provincial people's congress. We must make every effot to achieve this target. It is essential to have a certain growth rate in industry.

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HUNAN'S XIONG GINGQUAN REPORTS ON ECONOMIC WORK

HK250557 Changsha Hunan Provincial Service in Mandarin 0900 GMT 24 May 86

[Excerpts] In his government work report, Governor Xiong Gingquan spoke on specific measures in the province's economic work this year, stressing the importance of actively developing lateral economic ties. These can promote reform as well as economic results. He also proposed 10 aspects of Hunan's development of lateral economic ties:

1. Expand ties with Shanghai, Beijing, Guangdong, and neighboring provinces, with the focus on bringing in capital, technology, management, and talent, so as to exploit Hunan's rich resources and improve its production, technology, and management standards.

2. Develop a number of enterprise groupings or consortia with the focus on brand products, centered on large and medium enterprises and on the machine building and electronics industries.

3. Actively develop a number of industry-commerce, agriculture-commerce, commerce-commerce, and industry-agriculture-commerce combines spanning different sectors and regions.

4. Strengthen ties between the towns and countryside, especially between urban and township enterprises, so as to promote the structural reform by which cities administer counties, and speed up the integration of the urban and rural areas.

5. Speed up ties between military and civilian industries and between developed and undeveloped areas, to stimulate the transfer of technology and rational mobility of talented people.

6. Get a good grasp of ties between Changsha, Zhuzhou, and Xiangtan, and gradually create a new situation in this tri-city economic cooperation zone.

7. Actively develop ties between foreign trade units on the one hand and production units, domestic trade units, and ports, on the other hand, to achieve unity in opening up to the world.

8. Actively organize cooperation between financial enterprises and vigorously develop the lateral flow of capital.

9. Further develop scientific research and production combined composed of scientific research centers, institutes of higher education, and production enterprises.

10. Actively develop joint transport by railroad, road, and waterway, and strengthen joint transport operations with fraternal provinces and cities.

On grasping this year's economic work, Governor Xiong Gingquan stressed that it is essential to do a good job in market supply and to maintain basic price stability.

He pointed out: Prices are an issue of greatest concern to the masses. Jurisdiction over price readjustment must be centralized. No department may arbitrarily propose price hikes, or indulge in devising price-hiking schemes. In general, prices of products involving the overall urban and rural situation should not be altered this year. In particular, we must strengthen controls over the trading markets and traders and hawkers. If necessary we should stipulate the varieties of goods subject to price controls and the range of price fluctuations. We must do everything possible to maintain basic price stability.

Governor Xiong Gingquan stressed: We must unswervingly build the two civilizations together and strengthen the building of socialist spiritual civilization and the legal system.

He also said: An important issue in building socialist spiritual civilization is to wage the struggle against all ignorance and feudal superstition. At present, feudal superstitions and clan activities have emerged to some extent in part of the province. We must pay sufficient attention to this problem. Cultural undertakings such as literature, art, journalism, publishing, radio, and television must insist on putting social benefits in first place and stand in the forefront of building socialist spiritual civilization.

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ECONOMIC MANAGEMENT

JILIN HOLDS CONFERENCE ON REFORM, ECONOMIC WORK

SK281328 Changchun Jilin Provincial Service in Mandarin 0930 GMT 27 May 86

[Text] The provincial conference on the economic structural reform and economic work was held in Changchun this morning. Major tasks of the conference were to work out ways to further implement the guidelines of the national economic work conference and the national urban economic structural reform conference convened by the State Council, to study ways to continuously deepen the economic reform of our province, and to make arrangements for developing the overall lateral economic cooperation, strengthening enterprise management, implementing the policy of attending to the two civilizations simultaneously, and conscientiously reinforcing the ideological and political work of enterprises.

Vice Governor Gao Wen presided over the conference. Governor Gao Dezhan delivered a speech: "Persistently Carry Out Reform, Develop Cooperation, Strengthen Management, and Stimulate a Sustained, Stable, and Coordinated Development in the Economy of Our Province."

Governor Gao Dezhan pointed out in his speech: The focus of our province's reform this year should be placed on the promotion of the overall lateral economic cooperation. Through cooperation, we should continuously deepen the reforms and promote the economic structural reform. While carrying out cooperation, we should further enhance our understanding, emancipate our minds, and free ourselves from the shackles of outmoded systems. We should proceed from reality to make overall plans, give positive guidance, and carry out extensive multi-layer and multi-channel cooperation of various forms and in various fields with the focus on the established priorities. We should work out plans to conduct cooperation whenever conditions are ripe. We should strengthen leadership, encourage lateral economic cooperation with policies, and protect it with laws.

Governor Gao continued: On the basis of the guidelines of the national economic work conference and the actual conditions of our province, we should regard enterprise management as a strategic measure, and carry it out during the Seventh 5-Year Plan period. We should improve economic benefit and increase our strength through better management. While improving enterprise management, we should lay a good foundation, and improve it step by step to achieve overall improvement. Every enterprise should base itself on the present level, and take three steps to achieve improvement in its basic work, leading body, as well as professional and modernized management. High standards, high quality, and strict requirements should be upheld when upgrading enterprises.

Governor Gao Dezhan concluded: We should adhere to the orientation of reform, clarify the bounds of policies, enforce and improve in a comprehensive manner the economic responsibility system within enterprises, fully arouse the enthusiasm of producers and distributors, and, on the premise that state policies are conscientiously carried out, implement our province's specific policy measures in an all-round manner with an end to upgrade the quality of products, reduce consumption, conserve funds, lower cost, produce more readily marketable products, expand sales, dispose of goods in stock, activate funds, stop deficits, and increase profits so that enterprises can give play to their initiative, and enhance their ability for self-development.

Leading departments should enforce the systems under which they should be responsible for fulfilling certain goals and establish ties in carrying out their work, render goods service to invigorating enterprises, and regard the service as an important criterion for evaluating cadres. While attending to economic work, we should conscientiously strengthen the ideological and political work of enterprises, implement the policy of promoting the two civilizations simultaneously, continuously raise the level of this work, and exert painstaking efforts to make it lively and successful. Enterprise cadres in charge of political work should have confidence in, respect, and improve themselves, win the trust of the party and the masses with creative work, and make contributions to the building of the two civilizations.

Attending the conference were responsible comrades of various cities, prefectures, the autonomous prefecture, and counties; economic structural reform commissions, planning and economic commissions, and economic cooperation offices at all levels; various provincial committees, departments, bureaus, and offices; and some key enterprises. Pertinent responsible comrades of the provincial CPC committee, advisory commission, CPPCC committee, and discipline inspection commission also attended.

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ECONOMIC MANAGEMENT

JOURNAL ON SELF-FINANCING IN FOUR MODERNIZATIONS

HK270138 Beijing JINGJI QUANLI in Chinese No 4, 5 Apr 86 pp 22-24

[Article by Zhang Shizong [1728 1709 1813], edited by Pan Shucheng [3382 6615 3397]: "Fully Enhance the Role of Self-Financing in the Four Modernizations"]

[Text] I.

Whether enterprises possess strong vitality is a big problem related to the whole situation of the development of the national economy. Over 80 percent of our state revenues are derived from the profits and taxes of industrial enterprises; hence, invigorating the enterprises is an important measure to nurture the financial resources of the state, increase the strength of the state, maintain economic stability, and coordinate development. Following the progress of the reform of the economic structure, industrial enterprises have obtained not only decisionmaking power in operation but also a definite amount of self-retained funds which they can autonomously dispose of. The self-retained funds of enterprises and the financial strength of the regions and departments have formed large and powerful self-raised funds. The investment activities of self-raised funds have changed the former situation of construction funds wholly dependent on financial appropriations from the state, strengthened the capacity of the enterprises in self-transformation and self development, and have played an increasingly important role in the country's socialist construction.

According to statistics of Fushun City, between 1981 and 1984, the sources of funds of fixed asset investments were: state financial appropriations, 25 percent; self-raised funds, 58 percent; and the balance composed of bank loans (12 percent) and sundry funds (5 percent). In structure, fixed asset investments have also evolved in a rather great way. Fifty-five percent of fixed asset investments during the 4-year 1981-1984 period were investments on technological transformation projects, whereas capital construction investments comprised only 45 percent. Thus, the original emphasis on capital construction in fixed asset investments has gradually shifted to transformation of the original technologies of the enterprises.

Generally speaking, investments of self-raised funds have the special features of small projects, little investment, short construction periods, and quick results. They have usually obtained comparatively good economic results. Fushun's industrial gross output value in 1984 increased by 19.48 percent over 1981, and the total amount of profits and taxes increased by 24.42 percent. At the same time, self-raised funds were used to build a large number of residences for the staff members and workers. The total area of residences built and completed during the 1981-1984 period was 2.4234 million square meters. This has clearly improved the housing conditions of the staff members and workers.

II.

In exploring the problem of the scale of fixed asset investments, some people have expressed the opinion that the over-large scale of investments in recent years was due principally to the investments of self-raised funds being too rapid and too large in amount. They believed that in the investment of self-raised funds, there were the phenomena of building blindly, redundant construction, and waste of funds. Hence, they held that the investment activities of self-raised funds should be subject to control, and that the restraining measures should include tightening the money market, tightening the granting of loans, raising interest rates, levying higher and heavier taxes, and so on. However, I do not believe we should adopt such measures.

1. Regarding the problem of the scale of investments. The scale of investment is a problem we must look into in economic construction. The size of investment depends on the plan. The plan is determined on the basis of the state's ability to bear, following the process of comprehensive balancing. It is a yardstick of whether the scale of investment is adequate. Problems arising in the course of strictly implementing the state plan may be ascribed to errors in planning. Regarding the undertaking of projects that exceed the state plan, the personnel in charge of whichever department responsible for it should bear the burden.

It is not easy to talk clearly about scale in deviation from plan. For example: 1) The state prescribes a score of projects without specifying their scale. In the statistics, they should be included in the volume of completed fixed asset investments, but in the completed volume what should be the amount of those not specified? This is not at all clear. 2) It would not be correct to consider the scale as being overly large if there were a slight increase in the volume of completed projects this year over the preceding year. Following the development of the economy and the rise in national income, it is quite normal for the volume of fixed asset investments to increase each year. We should not in general suggest that the increased portion was out of control. 3) Due to the supply of certain major construction materials lagging behind demand and showing repeated price rises, and also due to the levying of the construction tax, construction costs have been rising yearly. During the 1950's, the construction costs of residences was only around 100 yuan per square meter. It is now double that figure. Even though there is change in the volume of construction materials in kind, the completed volume of investments has increased year after year. In particular, in recent years, this situation of increase can be readily discerned.

In short, many factors contribute to the increase in fixed asset investments. To what extent will investment of self-raised funds contribute to this increase? Let us make a concrete analysis.

2. It is a fact that as a result of the state implementing the policy of delegating power and invigorating [enterprises] the self-retained funds of the enterprises have gradually increased, but not to the extent that the investment activities by the use of self-raised funds have overflooded the market and must be attended to at once. I believe that this is hardly the case. According to current needs, the self-retained funds of enterprises are actually not too much, but are too scarce. In particular, in the technological transformation of the old enterprises, the major problem at present is still the insufficiency of funds. Even in regard to the projects carried out in the past, the method adopted was: "The enterprise paying a little, the state or department supplementing a little, the locality providing a little, and the bank loaning a little." Under such conditions, to tighten the money market and to depress loan-granting would be tantamount to "taking away the firewood from under the cauldron."

In undertaking construction through the use of self-raised funds, the burden currently faced by the enterprises is not at all light. It includes payment of the energy and communications subscription funds, construction tax, and various kinds of levies and collections. In addition, the major construction materials required for construction are mostly procured at negotiated prices. On such a foundation, if we are to levy higher and heavier taxes, or raise the interest rates on loans, it will only make the amount of available self-raised funds insufficient for the purpose. This not only will strangle the enthusiasm of the enterprises and of the localities but also run counter to the series of guidelines and enterprises calling for "releasing from bondage", "delegating power", strengthening the enterprises' vitality, and invigorating the economy.

3. With regard to the problem of blind construction and redundant construction. This is a problem which we must overcome in our socialist construction. But the appearance of this kind of problem should not be ascribed to the fault of the investment activities in self-raised funds. Surely, we cannot say that using self-raised funds in construction will bring about blind construction and redundant construction but that using other sources of funds for the same purpose will not cause such phenomena. The problem does not lie in the source of the funds but rather in the degree of correctness in studying and determining the feasibility of the investment projects.

Naturally, projects undertaken by the use of self-raised funds are mostly determined on the basis of the supply and demand within the locality, the industry or trade, and the market, and then measuring the extent of the benefit that the enterprise can derive therefrom. Therefore, a certain degree of control is unavoidable. However, among a large number of projects financed by self-raised funds, due to deviation from time schedules and changes of conditions, errors in individual projects are unavoidable. Even though blind construction and redundant construction have appeared, because they are projects generally requiring small investment, no really important impact can be felt on the situation as a whole. With the law of value playing its due role, these projects can speedily go into production and generate new effects. In reality, to prevent the rise of such problems, the key lies in learning from, and absorbing, past lessons. Construction units should note market information, step up feasibility studies, and overcome blindly selecting projects for investment. At the same time, we should step up macro-guidance, and should never give up eating for fear of choking.

III.

In view of self-raised funds occupying an increasingly important position in fixed asset investments, it is necessary to guide the direction of their investment, to the end that the flow of investments is more rational and more in conformity with the demands of the whole situation.

1. The investment activities in self-raised funds should, like other construction funds, be incorporated into the state's unified plan. The plan should be divided into two portions: large and medium-sized projects should come under the state's direct control, while others should be graded and cut piecemeal into separate control targets to be assigned to the departments in the localities, enforcing the department-or-plant-chief responsibility system. By so doing, it is beneficial to the state in carrying out a comprehensive balancing in personnel, finance, and materials, and also prevents the gross scale of fixed asset investment being out of control.

Nevertheless, in the state plan, how to handle well the relationship between major construction and rank-and-file construction is an exceedingly important problem. Major construction, particularly construction in the energy and communications sectors, is a big affair related to the development of the national economy. Failing to make any headway in major construction means that the whole national economy cannot be invigorated and even partial development will naturally be restricted. But it is also true that major construction should not, within a designated period of time, progress at a pace of the faster the better.

Major construction must conform with the national strength, otherwise, not only major construction cannot make any headway but also large amounts of materials and money will stay in a "half-spent state", in addition to elbowing out certain small construction projects which requirre little investment, and call for a short construction period but produce quick results. A major construction project costs an investment outlay ranging from as little as several hundred million yuan to as much as several billion yuan, whereas investments in small projects require only a little over 100,000 yuan each or several hundred thousand yuan each and only a few of the larger projects require at most some several tens of million yuan.

The relationship between these two categories of projects is akin to that between "a single item" and "a cluster of items". Undertaking one more major project means elbowing out a large cluster of rank-and-fiile small projects, whereas undertaking one less major project means enlivening a large cluster of small projects. Hence, we must be extremely cautious in decisionmaking concerning major construction projects. Indeed, the state should firmly control the number of major construction projects and, at the same time, under the precondition of seeking prompt benefits, liberally stimulate investment in small projects. By so doing, we are in conformity with the principle of "macro-control and micro-invigorating," and can enable the structure of fixed asset investment to maintain an appropriate proportionate relationship.

2. In order to guide self-raised funds to play an even greater role in national construction, we should change the method of the state taking unified control of undertaking major construction projects. Rather, a number of major construction projects which call for little investment, produce good results, and engender large profits should be turned over to the regions and departments for them to take charge by raising the requisite funds themselves. As for the road to raising funds, we should break the demarcation line between regions and industries and trades, enforcing the principle of whoever invests enjoys the benefits and the profits. Thus, the enthusiasm of investors on various sides can be aroused, and the green light is turned on for the lateral flow of self-retained funds.

We believe that certain regions and enterprises, for the sake of seeking their own self-development and protecting the source of energy and raw material, are perfectly willing to invest. Naturally, the methods of raising funds are many and diversified, such as undertaking domestic compensation trade, issuance of stock certificates and bonds, and so forth. In order to remove the skepticism and doubt of investors, the relevant departments may adopt suitable measures to bear certain of the risks in investment. On the basis of raising the requisite funds and working according to the concrete conditions, the state may make certain supplementary contributions or the banks may advance small bank loans. By so doing, the good points are: 1) Arousing the enthusiasm of many sides; this is naturally much better and can earn quicker results than merely counting on enthusiasm from only one side. 2) Lightening the financial burden of the state, through using the money for one project to finance and undertake several projects; the money thus saved can be concentrated and used on projects which yield minor profits or no profits at all, or used on large scientific research, cultural, educational, or public health projects.

3. We should further expand the sources of self-raised funds. In our country, we have a relatively large number of old enterprises and are very much confronted with the vexing problems of antiquated equipment, backward technologies, and aging products. The tasks of technological transforamtion are indeed very heavy ones. Such a huge demand for funds cannot be met by the self-retained funds of the existing enterprises. How then should the problem of the source of funds by solved? We may suggest that with respect to those major products the supply of which is currently lagging behind demand, such as rolled steel, aluminum ingots, cement, and electricity, a suitable rate of the products development funds be collected from them, in addition to their out-of-factory prices, to continue for a stated epriod of time (say, up to an improvement in the situation of supply lagging behind demand). The funds thus

collected should be deposited in a bank under a special name, designated for special use only, and subjected, in accordance with the respective subordinate relationship, to the unified arrangements for use by the relevant departments in close adherence to the development plans of industries and trades. By so doing, each year the country as a whole can collect a rather sizable amount of funds for use in the development of the various products concerned. Such a method exerts a certain restraining force on macro over-demand and, simultaneously lessening demand, it can vigorously develop production and increase supply. It also conforms to the principle of "products for everybody's use, and everybody bearing the burden of opening up products," and "taking from the people and using same on the people."

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ECONOMIC MANAGEMENT

BRIEFS

GUANGDONG'S YE XUANPING ON COUPONS--At today's 5th session of the 6th Provincial People's Congress, Ye Xuanping said in his report: During the Sixth 5-Year Plan period, the province's urban and rural markets were brisk. The supply of commodities was rich in variety and the supply of such fresh commodities as vegetables, fruits, poultry, meat, fish and eggs was abundant. Also, the amount of vegetable and fish being transported to north China was increased year by year. Except for some products, the articles for daily use as well as the durable consumer goods were available in the open market. In 1975, the province issued more than 40 kinds of coupons for purchasing products. But now these coupons are needed only when purchasing grain, oils and coal. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0900 GMT 21 May 86] /9871

CSO: 4006/1059

GUANGZHOU'S FINANCIAL REFORM DISCUSSED

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 5 Jan 86 p 2

[Article by Lin Qixiang [2651 0796 4382] the Guangzhou Economic and Social Development Research Institute: "Guangzhou's Reformed Financial System"]

[Text] [Summary] Guangzhou City has achieved much success in the last few years in its implementation of the "open door, reform, and enliven" principle. With the initial stimulus of the "enliven the circulation" reform of the system of circulation, the commodity economy has developed rapidly. However, the financial system, in particular the system of management over credit, is still behind the times, which hinders the further development of the commodity economy. The old financial system has become a "bottleneck" blocking the overall reform and the development of the commodity economy in Guangzhou at the present stage. Breaching the gap via "enlivening finance," reforming the financial system, deepening the overall reform and perfecting economic mechanisms are urgent tasks in the current reform of Guangzhou City. [End of summary]

Objectives

The objective for the reform of the financial system is to set up a lively, orderly financial market that is adjustable and controlable. With effective macroeconomic control over the market, integration between planning and market mechanisms and freely flowing channels of capital, we can more efficiently promote the development of the commodity economy compared to the present directive financial system. The following practical objectives must be realized, including the completion and strengthening of the central banking function of the Guangzhou City People's Bank, so that it can genuinely become the core of the city's financial system: the development of the "credit middleman" role of specialized banks, which at the grassroots level must implement "professional enterprise management"; the opening up of credit channels, the creation of financial enterprises of differing functions, the development of financial resources; the development of diversified credit forms and instruments for the circulation of credit; the full utilization of economic levers, in particular interest rates, to regulate the distribution of the national income and direct the flow of credit funds; striving to create the necessary conditions so that Guangzhou can become the financial center for southern China, Guangdong Province and the Zhu Jiang delta; gradually developing international financial operations.

Implementation and Coordination

1. The Reform's Principle of Implementation

A currency policy involving tightening up the money supply must be implemented throughout the course of the financial reform. The reasons for this are: First, only with such a policy can financial enterprises emphasize the effective investment of capital, increase returns on credit funds, and enliven themselves. Second, it would encourage industrial and commercial enterprises to look within and pay attention to their own internal accumulation, developing potentials, cutting down on expenditure, and increasing the capital turnover rate and to enable the entire economic ssytem to share in the benefits of the financial reform which is a part of the overall reform. Third, macroeconomic control could be enhanced, commodity price increases due to the readjustment of the interest system as part of the reform could be prevented, and the reform of the interest system and the readjustment of commodity prices caused by it could be restricted to within the framework of structural revision.

2. The Initial Stage of Financial Reform

The first steps of the reform of the banking credit system of management must first not influence or disturb work to balance credit nationwide. Second, grassroots banks must separate professionally and in terms of economic returns from the vertical control of supervising specialized banks. Conditions needed for reform of Guangzhou's banking and credit system could be created by the method of "separated contracting and each to balance their own books." Business administration of banks must be made more professional and their autonomy should be expanded. At the same time, a system involving the retention of profit by the city's specialized banks must be implemented, and a long-term credit fund market must be set up. There are two ways to accomplish this: (1) Have the various financial organs such as banks, trust companies, finance agencies and insurance companies utilize a variety of methods to concentrate capital dispersed throughout society for use in production investment; (2) The absorption of capital by the issuance of negotiable securities on the market by final borrowers, such as industrial and commercial enterprises and government organs. We should also further expand the use of foreign exchange retention to adjust the market. While reforming the banking system, we must focus on developing various types of financial organs and diversified forms of credit and invigorate the circulation of short- and long-term funds. We must strive to promote the use of bills and notes in commercial credit and allow some economically diversified financial institutions of all categories, such as banks that specialize in attracting foreign capital, to establish joint-venture banks, urban credit cooperatives, and collective banks, regional development banks, and insurance companies. Private credit and direct credit activities among industrial and commercial enterprises must be legalized on a foundation of improved management.

Use the method of "integrating regulation with the open door" to reform the interest and management systems. In the initial stage of the reform, due to the lack of competition among banks, there are many distortions in the current system of commodity price and a lack of fidelity to varying degrees in price signals. Therefore, the scope of the reform of interest rates should not be too great to avoid the inflation and loss of control over the investment structure that would be caused by the resulting increased product costs. A more realistic idea would be: state banking system interest should be "primarily regulated, with an integration between adjustment and liberalization"; based on a foundation of management, interest of nonbanking financial organs should be "primarily opened up." Residents' savings deposits and intraindustrial credit interest should be "primarily opened up;" enterprise savings and interest on credit should be characterized by an integration of regulation and fluctuation. Long-term credit is to be "primarily regulated"; medium- and short-term credit shall fluctuate within currently stipulated bounds. Currently the most irrational of the interest rates for credit funds are long-term loan rates which are too low, even at irrational rates. Therefore, with the exception of a minority of funds to be used on key construction projects that are economically effective for which favorable rates can be guaranteed, interest rates for most long-term loans need to be gradually raised. Rates for medium- and short-term loans should not be loosened all at once in order to avoid a great increase in the cost burden of enterprises.

The focal point of the reform of the financial system entails the further reform of the price system, the creation and completion of economic laws and the strengthening of economic responsibility among all economic organizations and enterprises.

3. Advancing the Reform Via Intraindustrial Competition

There is a direct proportionate relationship between competition and the strength of an enterprise. The second stage of the financial reform requires continuing to encourage competition in financial circles, particularly among banks. In the initial stages of the financial reform, interest rates will still be fairly strictly controlled due to the small number of financial enterprises participating in the competition (there are only three specialized banks, that, in the strictest sense, can join in competition). Therefore, competition of this sort will have a limited effect on improving economic effectiveness of banks.

An important measure in encouraging full non-interest-related competition among banks is the decentralization of specialized banks. Such banks in all cities would be divided up into several large, medium, and small banks, none of which would be controlled administratively as before. Each would become an economic entity characterized by a synthesis of operational rights and economic effectiveness, and would deal directly with enterprises and be professionally supervised by the People's Bank. At the same time, the further development of diversified financial enterprises and the selection of well run, well financed large-scale industrial and commercial enterprises to directly participate in financial activities would promote the integration of industrial and finance capital. A multilevel, multifunction financial system characterized by a division of labor and mutual coordination would be formed via banking decentralization and the development of diversified financial enterprises.

The autonomy of banks would be further expanded based on a foundation of banking decentralization. This should entail: allowing banks to open up new categories of deposit and credit, to issue bank notes and other bills, and to have the power to select customers for deposits and loans. In coordination with this, industrial and commercial enterprises could freely choose banks for deposit and the taking out of loans and could open accounts in more than one bank, so that banking decentralization and increased autonomy could lead to the same phenomenon among industrial and commercial enterprises. More power to set interest rates could be granted to the banks given a balance between overall supply and demand of public funds and the presence of only a small gap in social demand for capital. At the same time, more profit could be retained by banks, which should take firm steps to shift to the payment of taxes instead of profits to the state.

Until there have been greater changes in the state financial investment system, the People's Bank could establish under its direct leadership, specialized investment banks to take responsibility for and manage that portion of capital that would be freed for enterprise credit instead of being allocated to enterprises by the state. In this fashion, the various decentralized banks could engage in long-term business investment, while financial investment would be concentrated and managed by the specialized banks under the jurisdiction of the People's Bank, sharing responsibility with the Planning Commission for supervision of the direction and use of these investment funds.

The circulation of capital among regions could be opened up, so that industrial and commercial enterprises from all over could open accounts in Guangzhou and outside banks could set up branches here, while Guangzhou's various banks could be encouraged to open branches elsewhere, which would promote a horizontal flow of capital among regions and the formation of the financial center.

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FINANCE AND BANKING

STRENGTHENED CENTRAL BANK MONEY-CONTROL FUNCTION URGED

Beijing JINGJI RIBAO in Chinese 8 Jan 86 p 3

[Article by Ding Bangshi [0002 6721 4258]: "Strengthen Central Bank's Control Over Basic Money Supply"]

[Text] Maintaining a balance between aggregate supply and demand for money is closely related to whether banks are able to control credit outlets. If credit outlets are kept under control then a basic balance between aggregate supply and demand for money can be maintained; otherwise control over credit issuance and the money supply will be lost. To prevent loss of control over credit, it is essential to raise the proportion of deposit reserved fund that specialized banks remit to the central bank and strengthen the central bank's control over the basic money supply.

After 1955 the People's Bank of China was a unified bank. In regard to domestic banking activities it was the center for "cash, credit, and account settlement"; it was the source of money supply, it handled deposits from state enterprises and departments and was the clearinghouse for payments between state-run units. It was thus fostering the circulation of money in the following ways: first, because bank deposits from the various enterprise units of a state-run department kept money circulating; second, because it handled the movement of cash for nonstate workers and collective units. Under this structure, the People's Bank bore a double burden of professional duties: First it was responsible for supervising the bank accounts of the various state-run enterprises so that the People's Bank could continue to supervise the overall finances of a unit and make sure that these enterprises were conducting their affairs according to the national plan; its second duty was to maintain control over the nation's money supply.

The bank's structure and functions have undergone several changes since 1979. The first step was to make the central bank the leader and make the various financial organizations that form the main body of specialized banks (including all other financial organizations) into savings institutions. Since 1980, the formerly separate management of savings and loans has come together under the "deficit control" system of specialized banks who are trying to deal with the deficit between credit and deposits. Consequently, specialized banks now have the capability to engender derivative deposits.

Deposits in specialized banks can be broken down into three categories. First, there are state finance deposits. These deposits are directly under the control of the central bank and are not a source of funds available to the specialized bank. Second, are ready-cash deposits; these include the savings deposits of urban and rural residents and the fixed-term deposits of enterprises. Third, there are circulating deposits. These mainly consist of demand deposits of enterprises and generate the major portion of derivative deposits. These funds that make up derivative deposits are originally loans extended to the specialized banks by the Central Bank; they are the money supply. Once this basic money supply is held by the specialized banks, it can then be extended to the enterprises in the form of loans; thus if money earmarked for enterprises increases, this will eventually result in enterprises increasing their deposits, which in turn will stimulate specialized banks to make a corresponding increase in credit. Thus it can be seen that the original source of money for specialized banks can result in manifold increases in deposits and in the money supply. The level of credit control is necessarily in the realm of rationally limiting the basic money supply.

The People's Bank of China is the supplier of money and the final source of loans. It determines the basic money supply for the national economy and is the original source of money for all specialized banks. To better regulate money, the People's Bank of China has established a system of deposit reserved fund. All specialized banks will deposit a portion of their funds into the central bank and the central bank will extend loan-style credit to the specialized banks (interests to be paid to depositors). More and more people are now recognizing that if a money-supply mechanism that is based on deposit reserved fund can be set up and perfected, not only will it be beneficial to the regulation of money, but it also serve as a means to control the multiplying rate of money supply, thus aiding in the management of aggregate finances. In more concrete terms, the reciprocal of the rate of deposit reserved fund multiplied by the ratio of enterprise deposits in the proportion of all bank deposits and cash (reserves) is equal to the entire amount of money. In the 6 years since 1979, the ratio of enterprise deposits to a bank's overall deposits and cash reserves averaged 27.99 percent. According to present regulations, 10 percent of all enterprise deposits in specialized banks must in turn be deposited in the central bank as precautionary funds. Thus the enterprise deposit rate is multiplied by 10 and the rate of money growth is $10 \times \frac{27.99}{100} = 2.8$. This rate is a bit high in relation to China's present circumstances. But if the rate of enterprise deposit funds to be assessed for deposit reserved fund were, respectively, 20 percent, 25 percent, and 30 percent, then the rate of money growth would fall to 1.4, 1.1 and 0.9, respectively. Suppose that during the term of a plan the central bank decides to supplement credit by 50 billion yuan. If at various times the ratio of enterprise deposits to be remitted for deposit reserved fund were 10, 20, 25, or 30 percent, then the volume of the money supply would increase during the term of the plan over the previous term, respectively: 50 billion yuan x 2.8 = 140 billion yuan; 50 billion yuan x 1.4 = 70 billion yuan; 50 billion x 1.1 = 55 billion; and 50 billion x 0.9 = 45 billion yuan. If each of these respective increases are added on to the actual money supply at the end of the previous plan term, then it may be possible in the course of the present plan for the overall money supply to reach the upper limit.

From the above calculations, we can see that the central bank's control over the proportion of funds to be remitted by specialized banks for deposit reserved fund can also lead to control over the tightness of losseness of credit issuance from specialized banks. When the ratio of deposit reserved fund is high, this can reduce or suppress the creation of money, which will in turn reduce the amount loans available from specialized banks and put a halt to loose credit. On the other hand, when the deposit reserved fund proportion is low, the money supply tends to multiply; loose credit may appear, as it did the year before last, creating the possibility that control over credit could be lost. Thus in order to strengthen its macroeconomic control, the Central Bank must first control the basic money supply and once again readjust the 10-percent proportion rate for deposit reserved fund. Right now this proportion should be fixed at 25 to 30 percent for enterprise demand deposits and 10 to 15 percent for urban and rural workers' savings accounts and enterprise time deposits; these are more suitable rates. These proportions are not to be considered immutable; the central bank can readjust them to correspond with circumstances regarding national economic development, the aggregate money supply, or the availability of credit. In order to control the overall money supply from a macroeconomic position, the central bank must not publish a precisely quantified plan regarding the scale of credit or the money supply; the money divided up and distributed to the various branches of the specialized banks will itself serve as a planning directive and an added control. The head office of the central bank will not pay interest to any specialized bank on the deposit reserved fund that it remits; those funds will be set aside for genuine emergency or special situations. Specialized banks may lend money between themselves at discounted rates as adjustments on surpluses or shortages, but these transactions must be cleared through accounts with the People's Bank so as to facilitate the central bank in its supervisory work.

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MINERAL RESOURCES

GOLD MINING BY PRIVATE CITIZENS ENCOURAGED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 3, 13 Jan 86 p 28

[Article by Xu Xu [1776 2700]: "Surveying and Mining of Gold by Private Citizens Encouraged; Price of Gold Raised, Rewards for Striking Gold Set, Development Funds Provided"]

[Text] China has become a major gold-producing nation. China's yearly production of gold has catapulted it into sixth place among the gold producers worldwide after South Africa, the Soviet Union, the United States, Canada, and Australia.

Increasing production and reserves of gold is an important part of the Seventh 5-Year Plan which begins next year. This is so because it is both an important industrial raw material and a hard currency. The production of gold is closely involved with balancing the budget, balancing foreign exchange payments and guaranteeing the smooth implementation of the economic reforms.

Zhu Xun [2612 6064], who recently became head of the Ministry of Geology and Mineral Resources, not long ago at the National Gold Work Conference declared: It is essential that China greatly increase production of gold in the short run. In the next 5 years every effort must be made to surpass the total output of gold during the Sixth 5-Year Plan by 55 percent and guarantee that by 1990 yearly production will have doubled the present level.

Large-scale surveying for gold is now in progress throughout the interior. For this purpose the government has created a special National Gold Geological Survey Leadership Group to set up a coordinated, unified plan and lead China in its gold-mining program.

According to relevant data, at present mankind has in its possession some 90,000 tons of gold. There are still 60,000 tons unmined, most of which is in South Africa, the Soviet Union, the United States, and, further down the list, China.

China has 4 gold-mining territories and 58 mining areas, which, besides those in Shanghai Municipality, are scattered throughout various provinces, municipalities, and autonomous regions (including Taiwan Province). Of the various categories of potential gold deposits in the world, all have been discovered in mainland China. The era when China only mined gold from veined quartz or gold-laced sandbeds is now past.

Concerning China's gold deposits, experts say that the placer gold are mainly deposited in the No 4 style of river valley, which is to be found in Heilongjiang, Sichuan, Shaanxi, Gansu and Jilin. The major gold veins varieties--quartz type vein deposits, eroded rock deposits, and metamorphized molten gold deposits--are found in Shandong, Heilongjiang, Jilin, Henan, Hebei, and Hunan provinces. Gold in existence together with other kinds of mineral are found in Hubei, Anhui, Jiangxi, Gansu, and Liaoning. Other known varieties with good mining potential, such as Kalin gold, has also been widely discovered in China. Furthermore, western China is essentially virgin territory for gold mining. Areas considered ripe for mining gold, such as the Dalimu basis, the Zhungeer basin, the Ili River valley, and the Lhasa area have not even been thoroughly surveyed.

The history of gold mining in China is long, the earliest trace of it being in the Yin period of the Shang dynasty, about 3,000 years ago. During the reign of Guangxu in the late Qing dynasty, yearly production of gold was about 413,000 ounces which was a record at that time. But because of invasions and the spread of the civil war, production of gold suffered a severe setback in China; by the time new China was established in 1949, yearly production of gold had fallen to 200,000 ounces.

Since 1957, China has progressed with geological surveys for gold. In the mid-60's and especially since 1975 there have been successive discoveries of large-scale gold deposits, including those at Tuanjie Ravine and Mt Dongfang in Heilongjiang, Xincheng, Jiaojia, and Cangshang in Shandong and Hetai in Guangdong.

China has a corps of more than 52,000 working exclusively on gold and geologic surveys, including a geological team from the Ministry of Geology, a geological team from the Nonferrous Metal Corp. and the Wujing Gold Corps (formerly the Army Engineering and Gold Mining Corps). These surveyors already possess an array of advanced domestic and foreign mining and surveying equipment. Through the use of new methods for analyzing contents of gold, China has moved from its former utilization of geochemical gold samples in searching for gold to the application of direct prospecting for gold.

During the last 10 years, yearly production of gold in China on the average increased more than 10 percent. More than 100 core gold mines and more than 4,000 smelting locations have been established. Basically, most important gold mines are now using mechanical equipment for drilling, packing and transporting. Placer gold mines are equipped with mining vessels and advanced washing systems. Mines famous in China and overseas are in the Jiaodong peninsula and the Xiaoqin Mountains. In the past, China did not have a county that produced 10,000 ounces of gold but by 1984 there were 14 such counties. They are Zhaoyuan, Rushan, Huangxian, Yexian and Muping counties in Shandong; Kuancheng, Qinlong and Qianxi counties in Hebei province; Lingbao and Songxian counties in Henan Province; Harqin Banner and Qahar Right Wing Middle Banner in Nei Monggol; Beipiao in Liaoning Province and Mojiang in Yunnan Province. Among the above is Zhaoyuan County in Shandong, known as "the City of Gold," which last year led the nation in gold production with 80,000 ounces.

In order to expand gold production, the Chinese government has set forth a policy whose most important elements are as follows:

--State and collective eneterprises as well as individuals are encouraged to mine gold. Regardless of the industry, department, or area, all that is needed are the resources and manpower to get a mining operation underway.

--The price of gold will be raised. After undergoing several adjustments, the present price of gold per ounce is 700 yuan, a 460-yuan increase over the price in 1962. Moreover, for private goldminers the price may go as high as 900 yuan per ounce.

--Rewards for discovering gold have been established. For each mine discovered with 1 ton of gold reserves, the China Gold Corp. will offer a reward of 10,000 yuan or $5,000 in foreign exchange.

--Development funds will be supplied. For each ounce of gold remitted, in addition to paying for the gold, development funds worth 200 yuan will be offered as a bonus; local or state enterprises will receive an amount of foreign exchange proportionally correspondent to the volume of gold turned in. The state will also offer gold producers low-interest or interest-free loans and material subsidies as well priority shipping and electricity.

Gold mines in China are predominantly on a medium or small scale; large mines are few. Thus, the government has instituted the policy that "Big mines must be extensively developed and small mines must be given free rein." Furthermore, since the long-term ban on private citizens mining gold has been lifted, the nation has been in the throes of "Gold Fever." Based on incomplete statistics, among the more than 2,000 counties in China, more than 400 counties and 200,000 people are engaged in gold-mining operations. Last year, local and private medium- and small-scale mining operations accounted for nearly half of the nation's total gold production.

In the last year or two several large-scale private gold mines have appeared, such as the Shuanglong gully in the Ha River region of Tianzhu County in Gansu Province. In the 10-li-long river valley, there are more than 330 gold-mining shafts and more than 17,000 workers, not including the 2,000 plus people sifting sand for gold along the river bed. According to estimates from that area's administrative body, from July of the year before last until last July, the Shuangdong gully produced all together more than 1,000 jin of gold, a daily average of 30 ounces. In this kind of private gold-mining operation the big problem is that a substantial amount of gold flows into the hands of private merchants. Relevant departments will soon propose a new scheme to strengthen administration of gold mining by private citizens.

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INDUSTRY

RAPID INCREASE MADE IN CHEMICAL FIBER PRODUCTION

Tianjin TIANJIN RIBAO in Chinese 21 Nov 85 p 1

[Article by Li Anding [2621 1344 1353]: "China's Chemical Fiber Production Jumps to Sixth Place in the World"]

[Text] Reporters learned the following from the international conference on manmade fibers that recently opened in Beijing: China's young manmade fiber industry experienced rapid growth during the Sixth 5-Year Plan; it now has an annual production capacity of 1 million tons and has leaped to sixth place in the world. China's production of various manmade fibers during the first 10 months of the year totaled 760,000 tons and the total for the year is expected to exceed 800,000 tons, which is roughly an 80-percent increase over 1980.

A group of manmade fiber experts from various countries regard the very fast growth of China's manmade fiber production, that went from an annual production of 100,000 tons in the early 1960's to the present 800,000 tons to be a rare occurrence in the world's history of manmade fiber development. Manmade fiber now accounts for 22 percent of China's total textile industry and has become the material second only to cotton.

China's manmade fiber industry is going from the stage where it mainly produces viscose fibers into a stage concentrating on synthetic fibers, giving the needed attention to raw materials and producing fiber-spinning equipment. Widely used polyester fiber already accounts for over 60 percent of production. Some new varieties being developed internationally are already being volume produced in China. For example, the annual production of dope dyeing fiber is approximately 20,000 tons, while heterogeneous varieties, fluffy and soft air-jet polyester fiber and composite fibers that have the natural crimping effect of wool are being produced in small volume. Porous, water-absorbing polyester that offers good ventilation and the texture of silk, and carbon fiber that has good rigidity and can withstand high temperature have also been successfully developed in China.

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INDUSTRY

CHINA'S SHIPBUILDING INDUSTRY SHOWS CONTINUED GROWTH

Shanghai WEN HUI BAO in Chinese 5 Dec 85 p 1

[Article by Xin Guangqi [6580 0342 3825] and Xu Minzi [1776 2404 1311]: "China's Shipbuilding Industry Marches Toward the World, Export Ships for the Last 5 Years Have Totaled 1.25 Million Tons, With the United States, Italy, and Various Other Countries Placing Orders for These Ships; Products Used in Shipping Have Been Exported to Dozens of Countries and Regions"]

[Text] While international shipbuilding is in a slump, China's shipbuilding industry is steadily developing. There are now over 800 ship plate plants and other specialized equipment plants throughout China, and during the last 5 years these yards and factories have built export ships totaling 1.25 million tons. China's developing shipbuilding industry has drawn widespread interest from international shipbuilding and shipping circles. This information was learned by reporters at the 1985 International Maritime Technology Academic Conference and Exhibit which opened yesterday.

China now has over 530 ship plate plants and over 330 specialized marine equipment plants that employ 540,000 people. Most of the scientific research, design, and production capability of these facilities are under the China State Shipbuilding Corp [CSSC]. This corporation has under it regional companies at Shanghai, Guangzhou, Dalian, and nine other places, it has also set up the China Shipbuilding Trading Corp., the China Offshore Platform Engineering Corp., the China Hovercraft Technology Development Corp., and six other specialized corporations. These posses a total of 26 shipyards, 14 building berths capable of building ships larger than 10,000 tons, the largest being a 100,000-ton class berth; they have 15 docks of the 10,000-ton class with the largest being a 50,000-ton dock. The CSSC also manages Asia's largest ship testing and research organization.

Of the regional corporations, the Shanghai Shipbuilding Corp's 9 shipyards, that include Jiangnan and Hudong, have built ships that account for nearly 50 percent of the entire country's tonnage output, and during the Sixth 5-Year Plan have built 54 ships exceeding 10,000 tons. State Gold Awards for quality have been awarded to four of these ships and silver awards have been given to nine other ships and engines.

Currently, China is capable of designing and building its own submarines, destroyers, and various other types of warships and auxiliary vessels for military use; China has developed specialized ships such as the "Xiang Yang Hong No 10" and the "Yuan Wang" multipurpose hydrographical ships, ships for offshore exploration and salvage ships; China has built over 500 various types of ships and boats for ocean, coastal, and river use including freighters, tankers, large dredgers, powerful tugboats, hovercraft, and water-jet-propelled craft; and China has also built many semisubmersible and jackup drilling rigs.

Since 1980, China has been developing its ship export business. The shipyards concerned have engaged in active economic and technical exchanges and cooperation with other countries, over 200 contracts have been signed dealing with technical cooperation and trade licenses with the main purpose of importing advanced technology. This has greatly accelerated the modernization of China's shipbuilding industry. China's ship exports total 1.2 million tons, with the United States, Italy, the FRG, and Norway among the countries placing orders. Scores of marine products including diesel engines, diesel generating sets, propellers, and magnetic compasses are now being exported to dozens of countries and regions. The majority of products produced using imports technology have now been approved by China's marine inspection organizations and related organizations of foreign countries.

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PRODUCTION TRANSFORMATION OF NO 1 AUTO PLANT

Changchun JILIN RIBAO in Chinese 6 Jan 86 p 1

[Article by Li Shizheng [2621 1102 2398]: "Production Increase Realized by No 1 Auto Plant During Remodeling Transformation, Automobile Production for 1985 Totaled 85,000 Vehicles, Comparison of the Sixth 5-Year Plan with the Fifth 5-Year Plan Shows a Production Increase of 23 Percent and a Profit Increase of 30 Percent"]

[Text] The economic index of the Changchun No 1 Auto Plant showed a large increase during the Sixth 5-Year Plan. In comparison with the Fifth 5-Year Plan it showed an increased production of 23 percent, increased output value of 33.5 percent and profit of 30 percent.

During the Sixth 5-Year Plan, the remodeling transformation of the No 1 Auto Plant was placed on the list of key state projects. Remodeling transformation involves a large amount of work and some very arduous tasks. Along with this transformation work an increase in production also had to be maintained, which caused great difficulties. In order to shoulder both of these heavy burdens, personnel of the No 1 Auto Plant boldly searched for new methods and under overall planning carried out work in a synchronized and staggered manner. They persisted in reform and while strengthening political and ideological work also implemented decentralized management and various forms of the economic contract responsibility system which greatly aroused the enthusiasm of the workers. Under the condition of having excess work loads on various production lines and key facilities, they used conscientious organization and meticulous planning to enable the plant to have yearly production increases. The plant's automobile production for 1985 totaled 85,000 vehicles and had its best economic results ever that year.

At the same time production was being increased, the majority of remodeling transformation work was also completed. Design has been finalized for remodeling of the new car, the engine has undergone production line trial-assembly, trial-installation and test-production has been carried out on other items, and the best use is being made of imported items.

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INDUSTRY

PLANS OUTLINED FOR NONFERROUS METALS INDUSTRY

Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 12, 24 Mar 86 p 20

[Article by Yang Like [2799 4409 4430] and He Wenping [0149 2429 0756]: "The Current Situation and Prospects of China's Nonferrous Metals Industry"]

[Text]

I

China has extremely abundant nonferrous metals resources. The range in kinds is complete and the reserves are sizable. China has the world's largest reserves of tungsten, tin, antimony, zinc, and rare-earth metals. Its reserves of copper, aluminum, lead, nickel, molybdenum, and other metals are among the first rank in the world. Looking at proven deposits today, China has every nonferrous metal element on the periodic table, This is an exceptional advantage for the expansion of the nonferrous metals industry.

What is the present level of development of China's nonferrous metals industry, and what is its place in the national economy? The other day, Fei Ziwen [6316 1311 2429], general manager of China Nonferrous Metals Industry Corp. explained to reporters: the nonferrous metals industry is an industry that requires little capital yet produces much. The ratio of investment to returned income is 1: 1.6. That is to say, yuan of state investment produces 1.6 yuan in income. This is the fourth highest such return among heavy industries, surpassed only by petroleum, petrochemical, and machine industries. The nonferrous metals industry also is a good producer of foreign exchange. Since 1949, the foreign exchange earned from the export of refined tungsten has been the leader of all of China's exported products.

The nonferrous metals industry is a basic industry. It also is the basis for other basic industries. It is an important component of high-quality materials. Today, with the constant change in science and technology and with the rapid advance of the industrial revolution, the expansion of the nonferrous metals industry is even more important than ever. The party's central leadership has instructed that the nonferrous metals industry be placed in important positions in the Seventh 5-Year Plan and in future 5-year plans after today. This is a policy with strategic vision.

II

Fei Ziwen said China was one of the first civilized countries to discover and use nonferrous metals, but the nonferrous metals industry did not really start until after 1949. From 1953, when the Fushun Aluminum Plant produce China's first aluminum ingot, until today, the nonferrous metals industry has fully developed. Annual production has increased 100-fold over that in the early years of the People's Republic. Moreover, quality has greatly improved and the number of varieties expanded. According to 1984 statistics, there are 800 enterprises, employing 1.2 million staff and workers in the nonferrous metals industry system. A large-scale, independent system for the nonferrous metals industry has been built, from geological exploration, planning and construction, to production research and schools.

The development of China's nonferrous metals industry has gone through three periods: first steps, stagnation, and expansion. The 17 years before the Cultural Revolution comprise the first period. During this period, there was rapid expansion in terms of quantity, quality, and variety. Foreign exchange earned from exports exceeded the amount of foreign exchange spent on imports. During the 10 years of disruption, the development of the nonferrous metals industry was slow, and even declined for a time. Exports decreased and imports increased. Departments that had earned foreign exchange became departments that spent foreign exchange. After a period of gradual recovery, quickened development began after 1983. The total value of production in the nonferrous metals industry has progressively increased, as have both profits and the amount of foreign exchange earned.

Even though the nonferrous metals industry has developed to a certain extent, it still cannot meet the needs of the national economy. Production remains a relatively weak link. Quantity, quality, and variety all await improvement. Moreover, the situation of imports exceeding exports has yet to be reversed.

III

In order to improve leadership in the nonferrous metals industry and to further utilize China's nonferrous metals resources, the State Council decided to remove the nonferrous metals industry from the Ministry of Metallurgical Industry. On April 1, 1983, the China Nonferrous Metals Industry Corp. was founded. It reports directly to the State Council. It combines both production and sales, industry and trade. It shoulders economic responsibilities for the state, but also has the status of a legal person. The corporation is guided by the central state plan and exercises centralized management of production, distribution, and sales, of personnel, finances, and materials, and of domestic and foreign trade in all subordinate enterprises. In addition, it has the responsibility for overall planning for production, construction, and imports and exports related to China's nonferrous metals industry. For more than 2 years, the party's central leaders have listened on a number of occassions to reports from the corporation and have given important instructions: The nonferrous metals industry is one of China's most important industries. Within it are abundant resources. It is a department that can be very profitable. With the push of time, it will become increasingly profitable. We should have this vision.

Fei Ziwen said the State Economic Commission, the State Planning Commission, and other departments have worked with the corporation in setting the Seventh 5-Year Plan for the nonferrous metals industry. Using 1983 production as the base, the Seventh 5-Year Plan calls for doubling production of 10 nonferrous metals. We should carry through reforms, and continue to implement the strategic plan for the development of nonferrous metals. Top priority will be development of aluminum, with active development of lead and zinc, and where conditions permit, of copper. There will be selective development of tin, antimony, and other products that are good exports. The Seventh 5-Year Plan emphasizes the improvement of technology, and the expansion of existing enterprises and production bases. There are 26 key projects involving new construction in critical production areas and in large and medium-scale capital construction projects. For aluminum, the emphasis will be on expanding aluminum industries in the northwest and southwest regions ans in Henan. For lead and zinc, the emphasis will be on construction in the northwest region. For copper, key factories and mines in the lower Chang Jiang region will be expanded. For tin, the two tin base areas of Yunnan and Guangxi will be improved and expanded, with support given to the expansion of some medium-and small-scale tin mines. For nickel, there will be continued construction in the second phase of the Jinchuan project.

The general manager also told reporters: "During the Seventh 5-Year Plan, emphasis will be placed on scientific research and much effort will be devoted to finding new nonferrous metal materials. The development of new materials in coordination with military-industrial production, such as aluminum-gold and titanium-gold compounds and other special nonferrous metals, will serve in sharpening technology and modernizing national defense. The development of new electronic materials will be actively pursued in order to meet the research and production needs of large-scale integrated circuits. A key research project will be exploration for the special materials used in large-scale nuclear power plants, so that all of the zirconium-gold compounds used in China's nuclear power plants will be completely supplied domestically, and superconductive materials will enter the international marketplace. There are also plans for the extension of rare-earth compounds and new materials with large social returns, and other items.

Fei Ziwen, who has just turned 50, is an expert who has worked in the nonferrous metals industry over 30 years. He studied at one time in the Soviet Union, and worked for many years doing basic-level work. In 1983, he was appointed general manager of China Nonferrous Metals Industry Corp. He said that since 1983 the corporation has signed agreements with 23 provinces, municipalities, and autonomous regions for joint operation of 39 projects. This has changed the old situation of single-enterprise management and having no other choices. It has mobilized resources on all fronts, and offers advice and support for the expansion of the nonferrous metals industry. At the same time, the corporation will actively use foreign capital. It already has professional relationships with 300 companies and factories from 22 countries and regions to import advanced foregin technology and equipment and to jointly invest with foreign enterprises in mines and factories.

12994/12951
CSO: 4006/978

SMALL-SCALE ENTERPRISES

NI XIANCE, OTHERS ATTEND JIANGXI RURAL ENTERPRISE MEETING

OW281245 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 27 May 86

[Excerpts] Speaking on behalf of the Jiangxi Provincial CPC Committee and the provincial People's Government, Jiang Zhuping, member of the standing committee of the provincial CPC committee and vice governor of Jiangxi Province, put forward some new demands for Jiangxi's village and town enterprises at a provincial meeting on village and town enterprise work. He called on village and town enterprises to continue the trend of development, achieve a growth rate higher than the nation's average, higher than Jiangxi's industrial growth rate, and no lower than their last year's growth rate, and strive for new great developments this year. The meeting opened in Nanchang on 24 May.

Some 320 persons attended the meeting. They included the comrades in charge of rural work and directors of the bureaus of village and town enterprises of prefectures, cities, and counties and representatives of some provincial departments concerned.

Provincial party and government leaders Ni Xiance, Xu Qin, Jiang Zhuping, Pei Dean, Zhao Zengyi, Peng Shengxi, and (Li Liang) attended the meeting. Ni Xiance, Xu Qin, and Zhao Zengyi also spoke at the meeting.

Ni Xiance said: It conforms with Jiangxi's realities for our village and town enterprises to continue to strive for great developments. Our village and town enterprises made tremendous achievements last year. However, we are still way behind our neighboring provinces in this respect. The per-capita income of our peasants is low and our revenues are small. This fact has something to do with the slow development of our village and town enterprises. The development of village and town enterprises is a key to our economic development and to achieving a growth rate slightly higher than others. After laying down a policy for development, we should also clarify our guiding principle. Our guiding principle should be one of enhancing understanding, putting the village and town enterprise on the right track, adopting more flexible policies, and providing positive support.

Jiang Zhuping delivered a report at the meeting. His report was entitled: Persist in Thoroughgoing Reforms, Continue Decontrols and Economic Invigoration, and Bring About a Greater Development in Jiangxi's Village and Town Enterprises. The meeting closed on 27 May.

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CSO: 4006/1071

END

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25 JUNE 1986

China Report

ECONOMIC AFFAIRS

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ANHUI GOVERNOR PRESENTS SEVENTH 5-YEAR PLAN REPORT

OW021101 Hefei ANHUI RIBAO in Chinese 30 Apr 86 p 1

[Report by Anhui Governor Wang Yuzhao: "Hold on to Reform, Unroll Another Great Project, and Strive To Achieve Anhui's Seventh 5-Year Plan"--Delivered at the Fourth Session of the Sixth Anhui People's Congress on 21 April 1986; passages within slantlines published in boldface]

[Text] Deputies:

The just-concluded Fourth Session of the Sixth NPC is of great historical significance. The series of documents adopted at the meeting, including Premier Zhao Ziyang's "Report on the Seventh 5-Year Plan," are important documents that guide China's socialist modernization drive. We firmly support their guidance and will earnestly adhere to it according to Anhui's actual situation. On behalf of the provincial people's government, I should now like to report to you about the work of the provincial government and Anhui's Seventh 5-Year Plan.

I. A Review of the Work of the Past 5 Years

Thanks to implementing the series of principles and policies set forth by the party Central Committee and the State Council, giving top priority to reform, and constantly accelerating the pace of enlivening the local economy and opening to the outside world during the last 5 years, we have consolidated and developed political unity and stability, achieved sustained, steady, and coordinated economic growth, and basically accomplished the mission of achieving a fundamental improvement in our financial and economic situation, thus creating the most dynamic economic growth in Anhui since the republic's founding.

/The economy has been growing fairly rapidly./ In 1985, Anhui's gross social output was 58,107 million yuan, an increase of 92.9 percent over 1980, or an annual growth of 14 percent; the total industrial and agricultural output was 40.58 billion yuan, an increase of 87.5 percent over 1980, or an annual growth of 13.4 percent, overfulfilling the target prescribed in the Sixth 5-Year Plan by 29.2 percent; the people's income was 27,391 million yuan, an increase of 76.8 percent over 1980, or an annual increase of 12.1 percent; the revenue was 3,016 million yuan, an increase of 48.6 percent over 1980, or an annual growth of 8.2 percent; and the total of consumer goods retailed reached 14.38 billion yuan, an increase of 90.8 percent over 1980, or an annual growth of 13.8 percent. All major products registered significant increases in 1985. Among them, grain output reached 21,679, 600 metric tons, or an annual increase of 8.3 percent; steel output was 1,943,000 metric tons, or an annual increase of 7.4 percent; coal output was 29.05 million metric tons, or an annual increase of 3.8 percent; and electricity output was 13.49 billion kWh, or an annual increase of 7 percent. In short, all the major targets set in the Sixth 5-Year Plan were overfulfilled.

/A new breakthrough was achieved in revenue./ During the Sixth 5-Year Plan, Anhui's total revenue was 11,956 million yuan, an increase of 1,935 million yuan, or 19.3 percent, over that of the Fifth 5-Year Plan. A new breakthrough was achieved during the last 2 years. The new increase of 200 million yuan in 1984 ended the stagnation of the previous several years; an even greater success was achieved in 1985. The net increase of 580 million yuan in that year was a record high.

/The proportion of development between major sectors became more coordinated./ Gross agricultural output in 1985 was 15.14 billion yuan (not including the village industry output). Its proportion of the total gross industrial and agricultural output dropped to 37.3 percent in 1985 from 41.1 in 1980; gross industrial output in 1985 was 25.45 billion yuan (including village industry), and the proportion of the gross industrial and agricultural output rose to 62.7 in 1985 from 58.9 percent in 1980. In the agricultural sector, the proportion of output of forestry, animal husbandry, sideline production and fishery rose from 27.5 percent in 1980 to 38.1 percent in 1985. In the industrial sector, the proportion between light industry and heavy industry became increasingly rational. New headway was made in the development of tertiary industry.

/The material and technological foundation was reinforced./ During the 1980-85 period, Anhui invested 12,667 million yuan in fixed assets, or an increase of 73.5 percent over that during the previous 5-year period. Of this investment, 88.63 billion yuan was spent on capital construction projects, or an increase of 40.7 percent. During the 5-year period, 21 large and medium-size projects were completed or partially completed. The generating capacity of the Huaibei and Luohe power plants was expanded by 700,000 kilowatts. The operation of the five coal shafts--Liuqiao No 1, Qianling, Zhuxianzhuang, Panji No 1, and Linhuan--expanded coal mining capacity by 6.9 million metric tons. Construction of the Ningguo cement plant was basically completed. The Baimashan cement plant was commissioned for production. The new Cihuai waterway began to yield results. Successful results were achieved in the construction of eight commercial food grain bases. During the 1980-85 period, Anhui spent 3,807 million yuan on reconstruction projects. That was 3.8 times higher than the amount spent during the preceding 5-year period, and because of the completion of over 3,500 projects, economic growth had even greater potential.

/Science, technology, education, and other social undertakings showed vigorous development./ During the Sixth 5-Year Plan, the province spent 2.37 billion yuan for operating expenses for science, technology, and education projects.

This was 75.3 percent more than such expenses during the Fifth 5-Year Plan and accounted for 22.7 percent of the total financial expenditure compared to 15.9 percent for the preceding period. During these 5 years, fruitful results were achieved in 1,800 major projects of science and technology, or 1.5 times as many as the projects completed during the Fifth 5-Year Plan. More than 200 projects received awards from the state, ministries, or province. Regarding the development of education, the target set in the Sixth 5-Year Plan was overfulfilled. During these 5 years, 71,600 new students were admitted to institutions of higher learning for regular and specialized studies, and some 37,900 students graduated from universities, specialized colleges, and graduate schools and went to work on various fronts. This period also witnessed 16 new institutions of higher learning and 122 new urgently needed specialized courses established in the province. At the same time, various types of adult education developed vigorously, and intensive progress was made in restructuring secondary education. Among school-age children, the percentage of those actually attending schools rose from 88.9 percent in 1980 to 94 percent in 1985. Remarkable achievements were also scored in the work of culture, public health, athletics, broadcasting, television, journalism, publications, civil affairs, foreign affairs, tourism, nationalities affairs, religious affairs, family planning, the people's air defense work, labor and employment, and environmental protection.

/The people's living standards continue to improve./ In 1985 the peasants' per capita net income in the province averaged 369 yuan, double the 1980 figure. The annual growth rate for this period was 15 percent. Food and clothing problems were resolved in most localities, while a transition to a comparatively well-off standard of living started in certain localities. During these 5 years, some 159 million yuan were made available for helping the poor, and work was done to provide assistance to 499,800 poor and difficulty-ridden households. As a result, 173,200 households were helped out of poverty; among them over 16,500 became specialized or well-to-do households. In 1985, the total amount of wages for staff members and workers of units owned by the whole people showed a 64.2 percent increase over 1980, and the average annual wage of an individual reached 1,044 yuan, an increase of 41.3 percent. With their better income, the consumption level of urban and rural residents continued to rise. During these 5 years, housing with a total floor space of 12.2 million square meters was build for staff members and workers, and the average housing space for each urban resident increased by 1.2 square meters. During the Sixth 5-Year Plan, 700,000 jobless youth were provided employment, and the unemployment rate of youth in cities and towns dropped to about 2 percent. By the end of 1985, savings deposits of urban and rural residents amounted to 3,843 million yuan, up 3.4 times compared with 1980.

During the Sixth 5-Year Plan, our province's economy improved year after year. In particular, the achievements were remarkable in 1985. In that year, the total product of society rose by 20.3 percent compared with 1984. Of this, the total output value of industry increased 20.8 percent, that of agriculture 18 percent, the volume of retail sales of commodities 20.3 percent, the total amount of imports and exports 47.7 percent, and financial revenue 23.7 percent. Under the state's unified planning, the task of achieving initial success in reforming the economic structure was completed for the most part.

The achievements that our province has made in economic construction are attributable to the implementation of the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee and to the joint efforts made by the broad masses of workers, peasants, intellectuals, cadres, PLA commanders and fighters, public security cadres and police, and people of all strata in the province. Of the experiences gained during the Sixth 5-Year Plan, many are worth summing up. The following are important ones:

1. /Make unremitting efforts to grasp reform in order to develop social productive forces/

Since the 3d Plenary Session of the 11th CPC Central Committee, we have, starting from agricultural reform, promoted the output-related system of contracted responsibility on household basis, developed various forms of the cooperative economy, readjusted the production structure in rural areas in a timely way, reformed the system of unified and assigned purchase of farm products, and have thereby speeded up commodity development in rural areas. On the basis of rural reform, we have conscientiously carried out "The Decision of the CPC Central Committee on Reform of the Economic Structure" and embarked on an extensive reform of the economic system centering on urban reform. In addition, we have simplified the administrative structure and delegated more power to lower levels; worked to invigorate enterprises; taken steps to reform the planning, financial, and circulation systems; and straightened out the international relations of enterprises and their economic relations with other units. Price reform has been smoothly carried out, and we have made an important step forward in reforming the wage system. We have also taken extensive measures to reform the county-level economic system, which has whipped up the enthusiasm, enhanced the sense of responsibility, and unleashed the creativity of various economic sectors. In addition, we have moved to restructure the educational and scientific and technological research systems, and are deepening our efforts in the field. Currently, our reform is being made to cover wider areas, and the reform drive in all fields is being combined into a unified force which is giving impetus to the development of Anhui's economy and other undertakings. Reform has brought profound changes to the economic life of Anhui's people. We have paid greater attention to improving economic results instead of devoting all our efforts to increasing output value, have tried to use economic means and law on administrative and management work instead of totally relying on using administrative power, and our economic system has evolved from a closed type into an open type. In short, we have expanded our reform into a wider area and have made good progress in this field.

2. /Make unremitting efforts to grasp agriculture and enliven the rural economy/

Those who work in agriculture in Anhui account for over 80 percent of the province's total population. Output value of agriculture-based industry accounts for some 80 percent of the total light industrial output value, and agricultural products and processed agricultural products account for more than 85 percent of the province's total exports. Based on these facts, we laid special stress on agricultural development at a time when the rural economy was in a difficult situation and agriculture became a stumbling block of economic development, and we kept ourselves sober-minded and did not relax our efforts in agricultural development even when we enjoyed a boom in commodity development in rural areas. We attached importance to agricutlural development when we were short of grain and industrial raw materials. We also regarded agricultural development as a strategically important job and attached much importance to it even at a time when grain and other agricultural and sideline products were relatively abundant, and when we began to readjust the rural production structure. In guiding commodity production in rural areas, we did not totally depend on giving orders. Instead, we showed respect for the wish of the masses and regularly studied new developments in this field in order to solve new problems that may arise. By doing so, we have managed to prevent our rural economy from drastic changes. Facts in the last few years have shown that our attention to agricultural industry has stabilized our agricultural development, which has played a key role in prospering and stabilizing the entire economy of Anhui Province.

3. /Make unremitting efforts to invigorate enterprises and strive for technological progress/

In aiming at invigorating enterprises, raising their technological level, and improving their economic results, we have delegated more powers to enterprises and promoted the factory manager responsibility system and various forms of other responsibility systems. In addition, we have allowed establishment of small industrial and commercial enterprises and offered them incentives. As of now, 167 provincial-level enterprises have been handed over to lower authorities, and 70 percent of small commercial enterprises have been reorganized, leased out, transferred to collectives, or have switched to other trades. After simplifying the administrative structure and delegating power to lower levels, administrative departments at various levels have provided a better serivce to enterprises in an effort to create a better production and business environment for them. In invigorating enterprises, we have done away with the old idea of establishing new facilities for every production project. Instead, we paid more attention to improving existing enterprises' facilities and offered them preferential treatment in granting loans and levying taxes. By doing so, we may expect that reform will yield better results. We have also tried to better utilize and promote the use of imported technologies in order to improve the results of technological transformation. The 1985 overall productivity of public industrial enterprises operating on independent accounting systems increased by 33 percent over 1980, and taxes and profits generated from every 100 yuan of capital increased by 3.82 percent.

4. /Make unremitting efforts to develop village and town enterprises and step up the construction of small cities and towns/

Having undergone a process of exploration on the matter of village and town enterprise development, we eventually proceeded from Anhui's actual conditions by seriously summing up the fine experiences created by the public, establishing the guiding ideology of making thousands of households the fountainhead for developing the forces of village and town enterprises, vigorously developing household and joint household-run enterprises, and initially finding a new way to develop village and town enterprises in economically backward areas.

The total output value of village and town enterprises in 1984 was twice that of 1983, and there was an 81 percent increase over 1984 output in 1985. The village and town enterprises' great strides have become the mainstay of Anhui's rural economy. In developing a specialized, commodity, and modernized rural economy, the function of small cities and towns as rural commodity production bases has become increasingly evident. Tailoring our guidance to prevailing circumstances, we focused on speeding up the construction of small cities and towns as a means of enlivening the rural economy; convened a provincial meeting on the work of small cities and towns; drew up a series of policies aimed at encouraging peasants to provide for their own grain rations by working, doing business, and running service trades in town; and a number of farm and trade fairs, thereby creating fine conditions for the development of small cities and towns.

5. /Make unremitting efforts to boost income and promote a turn for the better in the financial situation/

In financial work, we paid attention to the proper handling of three relations. The first relation is between taking and giving, that is, taking as well as giving, with giving preceding taking, and "raising a hen to lay eggs." In order to prop up economic development as the county level, Anhui has appropriated 20 million yuan in each of the past 2 years for helping with the development of production in 21 counties on a successive and priority basis, and for building up financial resources. We also relegated power and surrendered profits to, and provided policies for 22 counties experimenting with comprehensive structural reforms in the past year, thereby increasing financial income at the county level and lessening Anhui's financial burden.

The second relation is between exclusive financial management and common financial management. In the past, under the unified arrangement for financial income and outlay, a provincial department was in charge of collecting financial receipts while the rest were financially dependent on that department, resulting in financial difficulty. During the Sixth 5-Year Plan, we started from structural reforms by implementing the financial contract system, encouraging the practice of "eating separately," and arousing enthusiasm at all levels for managing their own financial affairs.

The third relation is between tapping and retrenching financial resources. While vigorously boosting income, we also promoted careful budgeting and frugality, converted a portion of free allocations into loans, and urged departments using the funds to improve results in utilizing money.

6. /Make unremitting efforts to open to the outside world and vigorously develop lateral economic ties/

A shortage and funds and a low technological level have always been the restraining factors in Anhui's economic development. By opening to the outside world and enlivening the domestic economy, we forged extensive economic ties at home and abroad and opened up the path for accumulating funds and upgrading the technological level. During the Sixth 5-Year Plan, Anhui successively forged friendly ties with two foreign states and established a friendly economic and trade partnership with three other states. Four cities cemented friendly city ties with four foreign counterparts. In addition, economic, trade, and technological exchanges were developed with over 90 countries and regions. Foreign funds totaling $187 million were used, 492 technological deals were introduced, and $258 million worth of foreign exchange was utilized. The total export volume was $307 million in 1985. Anhui has now forged various forms of economic and technological cooperative ties with 23 provinces, municipalities, and autonomous regions in China. Since 1982, we have attracted one billion yuan or so of funds and developed over 2,100 cooperative projects. The scope of economic and technological cooperation has become increasingly extensive, moving gradually from cooperation in supplying materials and funds to technological cooperation and personnel exchanges; from simple association to multiple and multilayer association; from stressing the links with economically developed coastal regions to cementing ties with all places in China, including northern, northeastern, and northwestern China; and from stressing cooperation in production to establishing cooperation in circulation. Consequently, the whole economy was transformed from a closed type to an open type.

7. /Make unremitting efforts to promote circulation and develop the socialist commodity economy/

Circulation has long been a weak link. Under the influence of traditional ideas of natural economy [zi ran jing ji 5261 3544 4842 3444], and products economy [chan pin jing ji 3834 0756 4842 3444], the market was artificially cut apart and circulation was restricted, thus isolating us from the outside world. In recent years, we have come to realize that a fully developed commodity economy is the only way which leads to the development of society's economy and a prerequisite for modernizing China's economy. Cadres at all levels have raised their consciousness in developing the commodity economy, changed their habitual practice of stressing production but neglecting circulation, broken free from isolation, opened the door wide, striven to dredge and readjust the circulation channels, and established a "three many's and one few" [san do yi shao 0005 1122 0001 1421] circulation system. By putting more commodities on the market, speeding up circulation, and invigorating the market, the gap between supply and demand has narrowed, the impact of circulation on production has been magnified, and the entire economy has been invigorated. At the same time the circulation system is reformed and the socialist commodity market developed, the capital, technological, talent, information, and material resources market is also developing in a planned way, and a market system has been gradually established. The sustained agricultural and industrial development and increases in financial revenue in recent years are all directly related to the increasingly important role of circulation.

8. /Make unremitting efforts to promote spiritual civilization construction, bring about a fundamental change for the better in social practices/

While carrying out reform, we have always upheld the four basic principles, continuously pioneered in new methods for doing ideological and political work in the new period, promoted education in the current situation and policy with a definite goal, unfolded the "five stresses, four beauties, and three loves" activities, and encouraged new socialist morality and practices. In the rural areas, we have used the "cultural centers" as hubs to sponsor colorful mass literary and recreation activities and propagate advanced local deeds and personages, thereby conducting education in the course of recreation. In the cities, we start with building civilized cities as a beginning with a view to building civilized units by the various professions and trades. At the same time, by widely promoting propaganda and education in the legal system, striking at criminal and economic criminal activities, strengthening public security with comprehensive planning, ad concentrating our efforts on major cases, we have brought about changes for the better in both social practices and public order.

Over the past 5 years, we still have had certain shortcomings, made mistakes, and encouraged many problems and difficulties in our work.

In the area of reform, the main problem is the lack of coordination and overall planning. Besides, the achievements in reform are also somewhat lopsided. Some local departments have been sluggish in actions and reluctant to delegate power to the enterprises. There are still many problems and resistance in opening up the small state-run industrial and commercial enterprises to the public. During the transition from the old to the new system, we have failed both in ideology and in promptly adopting new methods in dealing with the continuously emerging new situations and problems. Our measures for macrocontrol are imperfect. The economic overheating at the end of 1984 also has had an adverse impact on our province. This was particularly reflected in the blind expnasion of capital construction projects, which resulted in tension in the province's economic life.

In the area of economic construction, the gap between total social demand and supply is still wide. The supply of capital, energy, and raw and processed materials has been insufficient. Financial expenditures have grown at a pace that is too fast. Subsidies have increased. The quality of some enterprises are poor, their technology and equipment backward, management level low, ability to assimilate weak, quality of products poor, consumption high, and their economic results poor. The ability of agriculture to resist natural disasters is still relatively weak. Some localities have tended to neglect grain production and have blindly grown industrial crops. The people's livelihood in some mountain areas, old revolutionary bases, and areas hit by natural disasters is still relatively difficult. Some localities have overburdened the masses and enterprises with unauthorized price increases, aportioning of funds, or levying of fees. At one time, the prices of vegetables and nonstaple foodstuff in some cities went up by too big a margin, and residents there were very angry.

In building spiritual civilization, ideological and political work is still our weak link. In some departments and units, the unhealthy practice of issuing unauthorized bonuses, material objects, and subsidies has not been entirely stamped out. In many leading organs, the problem of bureaucracy, shifting responsibilities to others, and wrangling is still serious. They vie with one another to replace sedans, indiscriminately send personnel abroad, and squander public funds on tourist trips. Their cadres engage in business for profit and indulge in extravagances and waste. Some of them even take graft, accept bribes, and abuse their power for personal gains.

All this has seriously affected the smooth progress of our reform and economic construction and should merit our serious attention. We must take effective measures to solve this problem.

II. /The Basic Tasks and Goals of Struggle During the "Seventh 5-Year Plan"/

Comrade Hu Yaobang recently said: In the next 5 years, we must do still better than in the previous 5 years. Based on the arrangements of the state "Seventh 5-Year Plan," the provincial government has initially drafted a Seventh 5-Year Plan for our province's economic and social development. This draft plan is hereby submitted for examination by this meeting. Now, I am going to make some necessary explanations concerning the basic tasks, goals of struggle, and major projects of this "Seventh 5-Year Plan."

The Seventh 5-Year Plan covers a crucial period in the economic the social development of our province. Under this plan, our province not only must undergo a fundamental transition from the old economic model to a new one but must also lay a firm material and technological foundation for realization of the strategic goals by the end of the century. To this end, the provincial government has put forward the basic tasks for the 1986-90 period as follows:

First, continuously implement the "decision of the CPC Central Committee on Economic Structural Reform" and unswervingly put reform in first place. Proceeding from Anhui's real situation, make the reform and construction cooperate with and adapting to each other, and strive to lay an initial foundation for the new socialist economic system within the next 5, or perhaps a few more, years.

Second, with raising economic results as the central theme, organize production and construction, resolutely expand reproduction, vigorously promote technological progress, exercise control over the total investments in fixed assets, and stress the construction of key projects in preparation for economic revitalization in the 1990's.

Third, vigorously developing scientific and educational undertakings, accelerate the development of intellectual resources and training of professional people, and strive to raise the people's scientific and cultural level, thereby building our economic growth on the foundation of scientific and technological progress.

Fourth, when production has been developed and economic results raised, further improve the people's livelihood in both the countryside and the cities, enable a majority of the people to begin a transition from having enough to eat and wear to a stage of being comparatively well-off, and accelerate the pace of combating poverty and making the people well-off.

Fifth, while vigorously building a material civilization, strengthen the building of socialist spiritual civilization. Inspire the whole society with a positive, onward, and enterprising spirit, promote the development of various cultural undertakings, raise the people's level of knowledge, and simultaneously propel the two civilizations forward.

In view of the above-mentioned tasks, our province's draft "Seventh 5-Year Plan" stipulates that by 1990, on the premise of continued improvement in economic results, the province's total industrial and agricultural output value should increase 55.2 percent over 1985 to reach 63 billion yuan, of which 20.5 billion will be in total agricultural output, an increase of 35.5 percent (or, including output from village-run industrial plants, an increase of 48.1 percent), and 42.5 billion will be in industrial output, increasing 67 percent (or, excluding the output from village-run industrial plants, an increase of 61.1 percent. The GNP will be 47.5 billion yuan, an increase of 50.8 percent over 1985. Total national income will be 40.2 billion yuan, an increase of 46.7 percent. Financial revenue will increase from 4.5 to 5 billion yuan, an increase of 49.5 to 66.1 percent. Total commodity retail sales will be 23.2 billion yuan, an increase of 61.3 percent. Total foreign trade will be $600 million, an increase of 95.5 percent.

To ensure fulfillment of the "Seventh 5-Year Plan," it is necessary to do down-to-earth work in 10 areas as follows:

1. /Maintaining a Modest Economic Growth Rate and a Proper Investment Scale; Readjusting the Investment Structure; and Promoting Sustained, Steady, and Coordinated Development of the Provincial Economy Marked by High Efficiency/

After striking an overall balance in accordance with the needs and possibilities of Anhui's economic and social development, the draft Seventh 5-Year Plan provides for an average yearly increase of 9.2 percent of the province's total industrial and agricultural output value growing at an average annual rate of 6.3 percent (8.2 percent if village-run industry is included) and the total industrial output value rising at an average annual rate of 10.8 percent (10 percent if the village-run industry is excluded). The total national product value is projected to increase at an average rate of 8.6 percent annually. These growth rates are somewhat lower than the actual growth rates achieved during the Sixth 5-Year Plan. The primary consideration is that the Seventh 5-Year Plan is a crucial period of reform requiring a fairly relaxed economic and social environment to ensure smoother progress in reform. Another consideration is the need to consolidate economic growth by drawing more attention from all quarters to the effort to improve product quality and economic efficiency. However, the projected growth rate of Anhui's total industrial and agricultural output value during the Seventh 5-Year Plan is still higher than the nation's annual increase of 6.7 percent. Given Anhui's relative economic backwardness and its many advantages and vast potential for development, and through an overall balance of its financial and material resources, it has been determined that the above relatively higher economic growth rate is appropriate, highly feasible, and attainable through hard work.

In working out the scheme for investment in fixed assets during the Seventh 5-Year Plan, we have conducted repetitious studies and come to recognize that: 1. It is necessary to adhere to the principle of acting according to our abilities. Efforts should be made to seek as much state investment as possible in tapping and utilizing Anhui's natural resources. According to preliminary statistics, the total 5-year investment in projects directly under the central authorities, or directly supported by the central authorities, or jointly financed by the central authorities, amounts to 5.66 billion yuan. After making all possible estimates and repeatedly balancing financial and material resources, investment in the capital construction of local units owned by the people has been initially set at 6.27 billion yuan, up 69 percent from the Sixth 5-Year Plan in real terms. Such an arrangement should meet the needs of economic growth on the whole. 2. It is necessary to ensure the construction of key projects. A total of 46 large and medium-size capital construction projects have been incorporated into the Seventh 5-Year Plan, including 25 projects related to the central authorities and 21 local projects. There are 21 above-quota technical transformation projects in the plan, including five projects related to the central authorities and 16 local projects. These projects are vital to ensuring a coordinated development of Anhui's economy and increasing its reserve strength. Accordingly, it is necessary to carefully organize efforts to carry out the work, ensure project quality, and complete the tasks on schedule. 3. It is necessary to readjust the local investment structure and improve investment returns. In readjusting the investment structure of light and heavy industries, priority should be given to ensuring the completion of projects which require small investment and shorter time limits and which can yield quick results, as well as projects that are technologically advanced, economically efficient, and capable of earning foreign exchange via export. Light and textile industries are the main parts of such projects. It is necessary to readjust the investment structure of productive and non-productive construction, with a proper reduction of the investment in non-productive projects, and to readjust the investment structure of capital construction and technical transformation. Initially planned for alteration during the Seventh 5-Year Plan is an investment amount of 4.289 billion yuan, accounting for over 40 percent of the investment in local fixed assets.

2. /Continue to Consider Agriculture the Foundation and Thoroughly Restructure Rural Production in an Effort to Rejuvenate the Rural Economy/

The general objective in restructuring rural production is to build a composite structure in which all forms of production will develop in a coordinated and harmonious manner, with agriculture as the foundation, so that such production essentials as resources, capital, labor service, and technical know how can be most effectively combined; a unity of economic, ecological, and social benefits can be achieved; an upward trend in rural economic development can be gradually achieved; and the peasants can become affluent more quickly. In crop farming, we must attach great importance to food grain production. On the basis of achieving a higher per-unit yield, we should maintain a steady increase in food grain, increase its variety, and improve its quality. According to the draft Seventh 5-Year Plan, food grain output in 1990 should reach 26 million metric tons, or 4.32 million metric tons higher than that of 1985, representing an average increase of 864,000 metric tons annually. Meanwhile, we should take positive steps to develop economic crops in accordance with market needs and natural conditions. In the agricultural sector as a whole. We should expedite the developemnt of animal husbandry, aquatic production, aquaculture, and forestry, and continue to exert efforts to expand their proportion in agricultural production. We should encourage the masses to plant trees, especially economically valuable trees, and pay attention to adjusting the tree varieties. In promoting the rural economy, we should help our rural enterprises achieve even greater growth. Developing the rural enterprises is the only way to rejuvenate the rural economy, and integrate cities and countryside and build a socialist society with distinctive Chinese characteristics. In developing rural enterprises during the Seventh 5-Year Plan period, we should continue to stress operation by one or several households. Attention should also be directed to consolidating, improving, and developing the mainstay enterprises in the rural areas so that the "six wheels" [liu ge lun zi 0362 0020 6544 1311] will revolve at the same time. We should give priority to processing of agricultural and sideline products, the development and multipurpose use of construction materials and mineral resources, and the development of tertiary industry. In a planned manner, cities should market their goods in the rural areas and transfer their technology and proficient personnel there. We should take full advantage of the demarcation of agricultural zones and, in a way appropriate to local conditions, set up complexes or small economic zones engaged in specialized production with each having its own distinctive characteristics and priorities, so that each village or township will have its special product or products, and so that different types of specialized markets can be developed in the rural areas. Then, with these small economic zones and specialized markets as bases, we should energetically develop socialized and systemized services in the rural areas, and speed up modernization of the rural areas by promoting all forms and all sizes of cooperation and ties. We should intensify the development of small towns so they will become centers of lcoal enterprises and commercial trade, as well as the rural areas' political, economic, cultural and information centers whose organic ties with cities will serve to promote economic cooperation between cities and rural areas.

To consolidate the agricultural foundation, the draft Seventh 5-Year Plan pays special attention to improving the conditions for agricultural production. According to preliminary estimates, approximately 1 billion yuan, or 93.8 percent more than the amount spent during the previous 5-year period, will be spent on agricultural, forestry, irrigation and gas supply projects during the next 5 years. We will continue to consolidate the Tongma and Wuwei enbankments along the Chang Jiang; harness the branches of the Huai He; carry out comprehensive development and control of the Chao Hu; complete the auxiliary projects of the Bi-shih-hang irrigation system [built in the area of the Bi He, the Shih He, and the Hangfu He in Anhui]; and improve management of the projects underway in order to improve the flood-control and irrigation capacity of these large rivers and their tributaries. We will continue to improve our soil, set up a number of bases producing quality rice, lean-meat pigs, fast growing and economic timber, famous tea, aquatic products, water fowl, fruits, minglu [2494 4845], and rare medicinal herbs. As the state continues to increase its investment, we should fully mobilize the peasants' initiative, increase accumulations of labor, and enlist the masses' efforts to take precautionary measures against harm by building flood-control and other beneficial public facilities.

During the first 3 years of the 1986-90 period, Anhui will give priority to disseminating 64 projects of agricultural science and technology, organize implementation of the "Spark Plan," help rural enterprises expand their production capacity, develop 10 showcase technologies that yield quick and economical results, and develop 20 showcase production lines to produce complete sets of practical equipment so that new scientific and technological know-how can blossom and yield results in Anhui's rural areas as quickly as possible.

3. /Accelerate Development of the Consumer Goods Industry, Improve the Quality of Products, and Explore Markets Inside and Outside the Province/

To satisfy the people's daily needs, the draft of the Seventh 5-Year Plan calls for a 10.6 percent average annual growth rate for light industry, faster than that of heavy industry, which is set at 9.2 percent. In the development of consumer industry, which is set at 9.2 percent. In the development of consumer industry, emphasis should be laid on those processing operations with farm, sideline, native, and special local products as raw materials and on the production of daily necessities and curable consumer goods to meet the people's needs. With regard to the food industry, continued efforts should be made to develop the production of basic foods, and production of famous and fine-quality wines and other beverages, and high- and medium-grade cigarettes should be stressed. In this connection, work should be done to continue the construction of a number of key enterprises and to upgrade others, including the Gujing Winery, the Mingguang Winery, the breweries in Hefei, Xuancheng, and Bengbu, and the Bengbu Cigarette Plant, in order to expand their production capacities and raise their product quality. In developing the durable consumer goods industry, we should focus our attention on the production of television sets, washing machines, refrigerators, and other electrical appliances. In developing the textile industry, we should make positive efforts to make new and high-grade synthetic, woolen, flax, and silk fabrics. Concerning the garment industry, efforts should be made to accelerate the production of fashionable clothes, children's clothes, sportswear, and work clothes and to increase the production of clothes made of down and leather. Energetic efforts should also be made to develop the manufacture of glassware, chemical products for daily use, furniture, plastic articles, and paper. In addition, we should promote the commercialization of housing in cities and towns and the development of the civil building industry so that it will gradually become one of the new backbone industries in our province.

In developing the consumer goods industry, we should do the following: first, we should increase investment. The draft Seventh 5-Year Plan calls for a total investment in capital construction for light industry, including textile production, of 1.044 billion yuan--a 90.3 percent increase over the Sixth 5-Year Plan--and stipulates that about 40 percent of the investment in upgrading technology and equipment in the province should be devoted to this industry. Second, we should continue to act on the principle of "six priorities" [liu ge you xian 0362 0020 0327 0341]. Third, we should proceed step-by-step with the establishment of production centers and raw material supply centers. Fourth, we should pay great attention to the quality and marketability of our products and go all out to turn out more famous-brand, high-quality products and develop new products and products that can be exported to earn foreign exchange. We should also see to it that our products have a better competitive edge and capture a large market share.

4. /Do Good Work in Energy Supply, Transport and Telecommunications, and Production of Raw and Semifinished Materials, Ensure Well-balanced Economic Development, and See to it that We have the Necessary Reserve Strength/

In our province, the supplies of energy and raw and semifinished materials are quite inadequate in meeting the demands, and transport and telecommunications are still in a backward state. During the Seventh 5-Year Plan period, we should accelerate the efforts in this regard with particular attention to some aspects of the work. We should do our best to complete the projects planned by the state and try to do more than meet the pre-set targets. At the same time, we should build our own local backbone projects in a planned and step-by-step way by pooling our financial and material resources through various channels as necessary.

Emphasis in developing the energy industry will be placed on electric power. In addition to ensuring the progress of work on the two state projects, namely the second-stage work on the Luohe Power Plant and the construction of the Pingwei Power Plant, we should build seven 125,000-kw generating units to be installed in Hefei, Tongling, Wuhu, and Maanshan, and every effort should be made to put five of them into operation during the Seventh 5-Year Plan. At the same time, we should actively assist various localities in building small hydroelectric power projects and try to make a success of the experimental electrification project in Jinzhai County. We should try to increase our province's annual electric power output to 23 billion kWh by the year 1990, or 72 percent more than 1985. By that time, power output by locally run power plants should reach 3.1 billion kWh, or a threefold increase. Meanwhile, continued efforts should be made to develop the coal industry. During the Seventh 5-Year Plan, we will continue construction work on eight mines and start to build four new ones. Construction of seven of them should be completed during this period. By 1990, the total coal output in our province should be brought to 36.35 million metric tons. Moreover, we should continue to develop energy work in rural areas by popularizing the use of firewood-saving stoves, promoting the production of methane gas, and growing forests to provide firewood. In developing energy work, it is necessary to carry out the principle of attaching importance to both developing new energy sources and economizing on the use of energy. We should see to it that energy equivalent to 4.3 million metric tons will be conserved within 5 years.

During the Seventh 5-Year Plan, we should make a comparatively big development in transport and telecommunications. In railroad construction, we should complete the Wuhu-Yuxikou center, double-track the Huainan Railroad, build the Fuyang-Luohe line, and make all necessary preparations for construction of the Shangqiu-Fuyang and the Xuancheng-Hangzhou lines. In highway construction, we should actively build a south-north highway and an east-west highway. At the same time, we should widen and renovate 18 main highways from Hefei to other prefectures and cities in Anhui. In county and township highway construction, we should emphasize dead-end roads and inaccessible outlying mountain regions. We should improve inland river channels, enhance their navigability, and promote river-sea coordinated transport. We should gradually develop local civil aviation. In telecommunications, we should emphasize expanding or building telephone service in all cities and counties, build the Hefei-Fuyang and the Hefei-Tunxi microwave lines, improve radio and television transmission means, and ensure that postal and telecommunications services are available to all villages.

In major raw and processed materials industry, we should emphasize increasing the production of products in short supply, increasing variety, and improving quality. The Maanshan Iron and Steel Company should complete all auxiliary projects to bring its overall steel production capability up to 2 million metric tons. It should complete the 400,000 metric-ton high-speed wire rod production line and build a 2,500 cubic-meter blast furnace. After transformation, the Hefei Iron and Steel Company should gradually develop its productive capacity to 500,000 metric tons of iron, 600,000 metric tons of steel, and 500,000 metric tons of rolled steel. We should actively develop industries for the production of building materials, such as cement, plate glass and ceramics for sanitary equipment. We should build the Tongling cement plant, expand the Baimashan cement plant and the Caohu cement plant, and complete a floating method [fu fa 3187 3127] production line at the Bengbu Plate Glass plant. We should build a 50,000 metric-ton acrylonitrile project at the Anqing Petrochemical Plant to enhance our self-sufficiency in raw materials for chemical fiber. All raw and processed materials industries must fully attach importance to comprehensive utilization. We should take a further step to improve geological surveying work and make all necessary preparations for rational development of mineral resources.

5. /Promote Technological Transformation of Existing Enterprises, and Improve Their Management and Quality/

To promote technological transformation of existing enterprises is a strategic task during the Seventh 5-Year Plan. All professions and trades should formulate feasible technological transformation plans and set correct technological policies and development orientations. The emphasis in technological transformation should be placed on key enterprises playing an important role in economic development, enterprises producing export goods, and enterprises producing raw and processed materials or consumer goods in short supply. The machine-building and electronics industries, which supply equipment to the economy, should undertake technological transformation ahead of others. We should pay attention to the development and application of high-tech products, such as microcomputers, optical fibers, and integrated circuits. In technological transformation, we should adhere to the following principles: First, we should concentrate on improving the quality and performance of products, increasing variety and lowering consumption. We should not unduly expand productive capacity, nor should we spend innovation and transformation funds on capital construction projects. Second, we should break the barriers of regions and departments in terms of ownership, break the traditional notion of being "large and all-embracing" or "small but all-embracing," and practice specialized cooperation. Third, we should select proper advanced technology and equipment on the basis of research. Fourth, we should integrate technology with trade, integrate industry with trade, increase software imports, and properly understand and use imported technologies. Fifth, we should set deadlines for transformation projects; for discontinuing the production of products that consume too much energy, are poor in quality, or seriously pollute the environment; and for eliminating backward technologies and equipment. Through the process of technological transformation, the state-run industrial enterprises in our province should by 1990 attain the 1985 level of advanced counterpart enterprises in China or Anhui in terms of the quality and major performances of products, and some of them should reach the world's advanced level of the late 1970's and early 1980's.

During the Seventh 5-Year Plan, we should attach great importance to enterprise operation and management. At present, we have a pretty clear understanding of the technological backwardness of our enterprises, but we usually lack sufficient understanding of the even more severe backwardness of their management. We should pay special attention to improving enterprise management. Enterprises and the departments in charge should accelerate the formulation of plans for advancing to a higher class and becoming advanced enterprises in accordance with the three-class enterprise criteria set by the state, and should work towards their objectives. We should exercise comprehensive quality control step-by-step according to plan, strengthen supervision over the quality of products, and institute and improve rules and regulations on energy and material conservation and on rewards and punishment. We should consolidate and improve the system where the director (manager) assumes full responsibility, and should popularize management experience that has proven effective in the course of reform. We should accelerate the training of full-time workers to improve their general knowledge and technical skills. In particular, we should improve the cadres' political quality, vocational skills, and management ability, and should promote those who possess both political integrity and ability to leading positions through the process of appointment, democratic elections, recommendation, or hiring. We should pay attention to labor protection and ensure safe production. After several years of effort, we should remarkably improve the quality of our enterprises.

6. /Make Great Efforts To Develop the Tertiary Industry and Promote a New Pattern of Economic Development/

The rise and development of tertiary industries is an inevitable trend resulting from social progress and enhanced labor productivity, as well as an important feature of the modern economy. During the Seventh 5-Year Plan, we should pay attention to the development of tertiary industry and should consider it a strategic measure to rationalize the production structure of our province. In the next few years, we should accelerate the development of transport, telecommunications, banking, insurance, commerce, tourism, and information, services in consideration of the reality of our province. At the same time, we should learn and use as much as possible new achievements of the world's technological revolution, and should properly develop some new departments of the tertiary industry.

We should attach great importance to commodity circulation, develop the socialist commodity market, further improve the wholesale commerce system, and run well various trade centers and specialized markets. We should actively experiment with new commercial forms--such as agriculture-industry-commerce, agriculture-commerce, and industry-commerce associations, and associations of commercial firms. We should encourage further the development of collective commerce, cooperative commerce, and individual commerce, and should gradually form an open, multi-sector, multi-channel urban and rural commodity circulation network in which state commerce and supply and marketing cooperatives play a leading role, operations are diversified, and there are fewer intermediate links. We should continue to develop various service trades that are necessary to the people's livelihood--such as barber shops, public bathhouses, repairing services, restaurants, and hotels--in order to convenience the livelihood of urban and rural people. At the same time, we should open up and build, step-by-step, markets for means of production, funds, technology, and information, and should promote the rational circulation of labor.

Tourism is an important economic sector. Our province has abundant resources for tourism suitable for exploitation. We should treat the development of tourism as a priority item in Anhui's economic development strategy, just as we treat industry and agriculture, putting them on our daily agenda and providing them with necessary support in funds, materials, and manpower. At the same time, we should reform the tourism management system to meet the needs of tourism development. In the next 5 years, we should concentrate on building a Huangshan-Jiuhuashan-Hefei tourism route. We should seriously develop the key tourist attractions of "two mountains and one lake" (Huangshan, Jiuhuashan, and Taipinghu). At the same time, all localities should build their own tourist spots with distinctive local features. We should gradually develop the tourism resources in central and northern Anhui, and should form a tourism network running throughout the province. It is necessary to build necessary basic facilities in support of tourism, and improve restaurant, hotel, transport, and recreational facilities in order to increase income and earn more foreign exchange.

It is necessary to further relax policy restrictions and institute the policy of pooling the efforts of the state, the collective, and the individual in promoting development of the entire tertiary industry. Preferential treatment in matters concerning prices, investment, and distribution should be adopted in light of the circumstances. Departments at all levels should concern themselves with and help and support the development of tertiary industry and create favorable social conditions conditions for its growth. It is necessary to strengthen the training of managerial and specialized personnel to upgrade their standards. Great efforts should be made to make tertiary industry meet the basic needs of production and the people during the Seventh 5-Year Plan. By 1990, the industry's output value should account for 23 percent of Anhui's total gross product, up from 19 percent in 1985.

7. Give Strategic Importance to Science and Technology and Education, and Accelerate the Development of Science and Technology and the Intellectual Resources

Scientific and technological progress constitutes the very source of sustained economic growth in our province. It is necessary to increase our input in science and technology and make scientific and technological progress an important criterion in evaluating the performance of our enterprises, departments, and localities. Research departments and college research institutes should orient their work to economic construction and accelerate the application of their research results. It is necessary to gradually establish and expand the technology market and promote the transformation of science and technology into productive forces through remunerative transfers and joint development. It is necessary to organize joint efforts to tackle key scientific and technological problems in Anhui's economic construction and social development, and strive to produce new research results. It is necessary to absorb the fruits of the world's new technological revolution, selectively open a number of new technological fields, and establish, step-by-step, a number of new industries.

The draft Seventh 5-Year Plan provides for increased investment in education. During the 5-year period, our province will allocate from its revenue 4.098 billion yuan for education, an 83.4 percent increase over the Sixth 5-Year Plan. This increase is higher than the national average and far exceeds the increase in Anhui's current revenue. In addition, local government at various levels will increase its education appropriations as much as possible. It is necessary to effectively use education funds and pay attention to investment returns. It is necessary to mobilize all sectors of society to complete all kinds of educational undertakings. Educational institutions of all kinds and at all levels must implement the policy of development in a comprehensive way--morally, intellectually, and physically--raise the quality of education, and bring out qualified personnel. It is necessary to pay close attention to preliminary education and gradually enforce the 9-year compulsory education system. By 1990, primary education should become basically universal in the entire province, and middle-school education should become universal in cities and county towns. It is necessary to vigorously develop vocational technical education, conduct pre-employment training, and gradually bring secondary vocational technical school enrollment to the level of regular high school enrollment. According to the plan, some 289,000 students will graduate from secondary specialized or technical schools in the coming 5-year period, a 30-percent increase over the Sixth 5-Year Plan. It is necessary to tap the potentials of our existing colleges, appropriately renovate and expand some of the colleges, readjust the academic departments and special fields of study, accelerate the development of weak and new academic departments and departments in great demand, and constantly seek to improve teaching qualities. According to the plan, some 57,000 students will graduate from provincial colleges during the coming 5 years, a 50.9 percent increase over the Sixth 5-Year Plan. Some 1,060 students will complete post-graduate studies, a 650-percent increase. Worker education and other types of adult education should be gradually developed through consolidation and improvement. Television education by satellite should become an important means to developing adult education. Under the plan, adult institutions of higher learning will turn out 110,000 specialized personnel, a 420-percent increase over the Sixth 5-Year Plan. Serious efforts should be made to run teachers schools and accelerate the training of teachers in order to gradually build a contingent of teachers who will meet our basic needs in terms of numbers, standards, and specialities.

It is necessary to further implement the policy toward intellectuals and perform good service to them in a down-to-earth manner. Special efforts should be made to improve the working and living conditions of the middle-aged intellectuals so they can concentrate on their work. It is necessary to institute a system of hiring for technical posts so the intellectuals can use what they have learned and fully play an active role in the magnificent cause of the four modernizations and in revitalizing Anhui.

8. /Further Rationalizing Geographical Distribution of the Regional Economy and Integrating Key Construction Projects with Balanced Regional Development/

During the Seventh 5-Year Plan, it is necessary to fully exploit the advantages of various localities and gradually establish economic networks around cities at different levels, of varying dimensions and with distinctive characteristics in order to promote socialized large-scale production and the development of a commodity economy.

In northern Anhui areas, we should exploit the local advantages in agricultural production, the processing industry for agricultural and sideline products, and the availability of energy resources; develop intensified processing work; and attach importance to comprehensive utilization of all resources. During the Seventh 5-Year Plan, we should do a good job in harnessing the main stream of the Huai He, improving soil conditions, building production bases of agricultural products for marketing purposes, and promoting the construction of coal mines, electric power plants, and other key construction projects. At the same time, we should actively develop food industry, village and town enterprises, light and textile industry, and tertiary industry.

The central Anhui areas surrounding Hefei have a relatively good foundation of science and technology and are more advanced in industrial and agricultural production. During the Seventh 5-Year Plan, it is necessary to continue to vigorously develop traditional production, pay attention to adopting new technology and carrying out technical transformation, actively develop appropriate new industries, and promote the development of new industries such as knowledge- and technology-intensive industries manufacturing high-grade consumer goods. We should exploit the advantage of people's higher education and economic progress in the Hefei areas and have the areas assist the development of the surrounding areas.

In areas along the Chang Jiang, we should stress developing steel, nonferrous metal, cement, and other raw materials industries, light and textile industries, ship-building industry, food industry, and agricultural production. We should give full play to the role of the Chang Jiang as a "golden waterway," strengthen economic cooperation with the upper and lower reaches of the river, and expand our opening to the outside world.

In southern Anhui areas, we should first grasp agricultural, forestry, and tea production and at the same time speed up the development of tourism. We should also actively promote industries which use raw materials produced in mountainous areas. In line with the development of industry, agriculture, and tourism, we should also promote the development of transportation, communications and commerce, and the construction of other basic facilities.

During the Seventh 5-Year Plan, an important task in regional economic development is to mobilize people in the old revolutionary base areas in west Anhui, in some mountainous areas of southern Anhui, in old disaster areas along the Chang Jiang, and in floodwater storage areas along the Huai He and whip up their revolutionary spirit to speed up economic construction. In the floodwater storage areas along the Huai He, we should pay attention to harnessing the river, continue to adjust the production structure, and do a good job in village building. We should also take effective measures to improve the people's livelihood. In other areas, we should quicken the pace in improving the people's economic condition and strive to solve the problems of food and clothing within 3 years and eliminate poverty within 5 years. Various departments at all levels should conscientiously implement the requirements set by the central authorities and this province on improving the outlook of poor areas, implement the responsibility system in helping poor people, and support those poor areas with good policies, funds, supplies, manpower, and technology. The most important thing is to strengthen our efforts to help poverty-stricken areas with science and technology, develop production suitable for operation in poverty-stricken areas, and increase the capability of self-development in those areas.

We should pay attention to land use and work out plans for the preservation of soil fertility, strengthen centralized control of land, set limits for land use, and strictly handle according to the law cases of wanton occupation of farmland by various units and individuals. In addition, we should improve environmental protection work, stress disposing of the "three wastes," and promote an ecological balance.

9. /Continue to expand foreign economic relations, strive to develop lateral economic ties./

During the Seventh 5-Year Plan, we must further expand contacts with foreign countries, strengthen economic and technical cooperation, strive to create good conditions for opening to the outside world, and promote great development of foreign economic relations and trade. First, of all, we must strive to increase exports and earn more foreign exchange. While we improve the quality of export products and increase the rate of fulfilling contracts, we must also continue to expand exports of traditional products, develop exports of machinery and electrical products, and promote processing work with raw material and patterns furnished, compensatory trade, cooperative production, and joint ventures. We must establish in a planned way export commodity production bases and specialized plants (specialized workshops), adopt a policy of encouraging exports, and develop exporting enterprises' enthusiasm for production. It is necessary to improve import work and to strictly control imports of durable consumer goods and ordinary processing equipment which can be produced at home. It is necessary to speed up using foreign funds and expand the scope of importing technology. According to plan, foreign funds to be used in the coming 5 years total $458 million, an increase of 140 percent over the Sixth 5-Year Plan. Our technology imports will cost $456 million, an increase of 76.7 percent over the Sixth 5-Year Plan.

Lateral economic ties are requirements for the development of a socialist commodity economy and modern production. Vigorously developing lateral economic ties can create a new superior situation and produce better economic results and social benefits. In this superior situation, advanced enterprises can avail themselves of the opportunity to develop, while backward ones can improve, and some enterprises on the verge of bankruptcy can be brought back to life. During the Seventh 5-Year Plan, it is necessary to create a new situation in promoting associations in the sphere of production, between production and scientific research, and between production and circulation. It is necessary to promote the rational development of resources and rational disposition of productive forces and to improve the structure of industry, enterprises, and technology so as to speed up the birth of a unified socialist market. It is necessary to regard a certain number of famous-brand and good quality products and some large-and medium-sized enterprises as models and to form different types of enterprise groups and colonies step by step. It is necessary to create conditions for the development of lateral economic ties in structure, policy and other aspects.

10. /Further improve urban and rural people's living by developing production and increasing economic results./

During the Seventh 5-Year Plan, our province is in the peak period of a new baby boom. Therefore, it is necessary to continue grasping birth planning well to strictly control population growth. We must keep our province's population around 54 million in 1990. With this requirement in mind, we must strive to solve the question of unemployment and expand the sources of workers' incomes. It is necessary to create more productive jobs in rural areas and organize the surplus labor force to engage in production and create social wealth. In urban areas, it is necessary to make plans to create jobs for 750,000 new unemployed youths within 5 years, including 250,000 jobs in state enterprises, 400,000 jobs in collective enterprises, 50,000 jobs to be created by the youths themselves under guidance, and 50,000 temporary jobs. Thus, the all new labor force grown up during the Seventh 5-Year Plan can receive appropriate placement.

To raise the income and consumption level of rural and urban residents is a major target of the draft Seventh 5-Year Plan. In the year 1990, the per capita net income of peasants in Anhui should reach 520 yuan, topping that of 1985 by 151 yuan and representing an average annual increase of 7.1 percent; the per capita actual income of workers and staff should be 1,213 yuan, rising above 1985 income by 263 yuan and representing an average annual increase of 5 percent. On the basis of increased income, the people's actual consumption level will rise, the consumption structure will improve, and consumer goods will be increasingly varied and colorful.

It is necessary to further improve the people's living conditions and environment, as well as the quality of their life. During the Seventh 5-Year Plan, efforts should be made to step up the construction of the urban infrastructure and public facilities in villages and towns so that the living conditions of ordinary people can be bettered in a planned manner. It is necessary to considerably increase the numbers of commercial and service outlets and strive to open up and expand service areas. Efforts should be made to promote various cultural undertakings in literature, arts, cinema, radio and TV broadcasting, sports, public health, press, publications, libraries, and museums. In 1990, multi-channel TV broadcasting should be received by 80 percent, and multi-station radio broadcasting by 85 percent, of Anhui's population. We should go all out to unfold the patriotic health campaign and promote medical and health undertakings. Within the next 5 years, the number of hospital beds should increase by 10,000 to reach some 94,500. It is necessary to raise the quality of professional physical cultural workers and vigorously launch mass sports activities in order to continuously enhance the physical fitness of the masses. Various social welfare systems should be improved and a new social security system should be introduced step by step.

Fellow deputies:

The fighting goals set in Anhui's draft Seventh 5-Year Plan are gigantic. Successful fulfillment of the Seventh 5-Year Plan will greatly change our province's economic and social outlook, straighten out the relationships between various economic sectors in general, build up our economic strength markedly, and guide the economic system to basically embark on a new road. Thereafter, we will advance, with full confidence and steady strides, toward the comprehensive vigorous economic growth in the 1990's.

III. /Pay close attention to the work of 1986./

According to the Seventh 5-Year Plan, Anhui's total industrial and agricultural output value of 1986, the plan's first year, should be 45.4 billion yuan, an increase of 11.8 percent over that of 1985. Of that, the agricultural output value should be 16.1 billion yuan, an increase of 6.4 percent (including a 10.8 percent increase in village-run industry); the industrial output value should be 29.3 billion yuan, an increase of 15.1 percent (12.8 percent, if village-run industry is excluded). The financial revenues should reach 3.35 billion yuan (excluding revenues and expenditures for price subsidies), an increase of 11.3 percent. As the 5-year plan depends on our performance in the first 3 years, for which the work in the first year is crucial, a successful job done this year will create favorable conditions for the development in the next 4 years. We must motivate ourselves, make active efforts to overcome difficulties, and advance with steadfast and firm strides. To this end, it is necessary to pay close attention especially to the work in the following fields:

1. /Consolidate, assimilate, replenish, and improve various reform measures./

To give top priority to the reform is a prerequisite for ensuring a comprehensive fulfillment of the Seventh 5-Year Plan. We have relied on the reform in scoring achievements, and will continue to rely on it in making progress. We should resolve problems cropping up in the course of reform through upholding and deepening the reform, and we should by no means go backwards. Current unhealthy practices are not the inevitable results of opening to the outside world and invigorating the domestic economy. On the contrary, they interfere with and undermine opening to the outside world, invigorating the domestic economy, and reform and should be firmly dealt with. The purpose of rectifying unhealthy tendencies is to further facilitate reform and ensure that the opening, the invigoration of the domestic economy, and the reform advance along a wholesome track. Mistakes committed by comrades in the work due to the lack of experience and knowledge in the reform are different from unhealthy practices of exploiting loopholes of the reform. They are problems of two different natures. It is necessary to distinguish and draw a line of demarcation between these two types of problems in order to protect the reformers' initiative and help them draw lessons from the work to ensure reform's steady advance. The work of reform in 1986 is primarily to penetratingly and meticulously consolidate, assimilate, replenish, and improve reform measures while making adequate preparations for bigger strides of reform in the next year and after. The task of reform remains formidable.

Further injecting vitality into enterprises, particularly state-run large-and mid-sized enterprises as well as foreign-exchange earning enterprises, is the key element in reform. We should continuously and seriously implement various stipulations and regulations on enterprise invigoration laid down by the CPC

Central Committee, the State Council, the provincial CPC Committee, and the provincial people's government. Complete decision-making power should be delegated to enterprises; city authorities should not curtail enterprises' power. We should step up supervision over and streamline our administrative departments and reduce the number of unnecessary levels of management. Enterprises should effect thorough internal reforms and improve diverse forms of the economic responsibility system. Some small enterprises owned by the whole people may change to collective or individual ownership.

In addition to consolidating results in pricing and wage reforms, we should assimilate and supplement present reform measures. Last year saw a great stride made in pricing reform. This year we should strive to maintain a basic stability in market prices. Special attention should be paid to urban price work. Regarding the supply of major nonstaple food such as vegetables, meat, poultry, and eggs, we must pay attention to the urban-rural relationship, taking into consideration the interests of the producers, distributors, and consumers, and striving to stabilize price levels. Vegetable growing suburbs should stabilize growing areas, set up plastic sheds to protect vegetables, and subsidize vegetable growing with industrial and commercial taxes. Establishment of second-line and third-line reserve vegetable bases in a systematic manner is also called for. State-run vegetable companies should play the roles of main suppliers, do a good job in peak and slack season regulation, and hold down vegetable prices. Except for those of a very few approved articles, prices of industrial goods will not be allowed to go up this year. Plants should try to offset increased production costs because of higher material costs by means of management reform or through improved work efficiency. Supervision on levels of accommodation charges at hotels should be seriously carried out; hotels are forbidden unauthorized increases in accommodation charges. Control, supervision, and inspection of commodity prices should be further strengthened. Pending problems during wage reform in organs and enterprises should be promptly dealt with. Regarding wage reform in enterprises, we should seriously review past work and solve existing problems. We should try to make a smooth linkup between results of wage reform and the responsibility system.

We should continuously do a good job in the comprehensive reform of the country-level economic structure; sum up results and experience of comprehensive reform in trial counties; achieve fresh progress in reforming the eocnomic structure and improving the service system; and further perfect and complement reforms. We should continuously expand county-level decision-making power and step up offering specific guidance to county-level economic structural reform. Experience gained in 23 trial counties should be spread throughout the province. Room for maneuver should be left for the counties with regard to price control on sideline agricultural products. Counties should be permitted to proceed from reality and adopt flexible ways. Departments concerned should take the initiative in offering services and guidance to develop the county-level economy; they should refrain from abusing their power to intervene administratively.

Lateral economic ties should be vigorously promoted. Promoting economic benefits and economic reform through lateral economic ties is one of the key points of this year's reform. In going about lateral economic ties, we should adhere to the principles of voluntary participation, mutual interests, and joint development; attention should be paid to economic and technological capabilities; and instead of a single form of economic cooperation, diverse forms of lateral economic ties should be tried. Overall guidance should be strengthened to prevent blind expansion of the scale of key construction projects and avoid construction duplication. We should especially promote cooperation between enterprises engaging in processing industry and the raw and semifinished materials industry; ordnance enterprises and civil enterprises; industrial enterprises and scientific research units, universities, colleges; and cooperation between agricultural, industrial, and commercial enterprises. In engaging in regional economic cooperation, we shouls seek truth from facts, make the best use of the situation; and in accordance with the inherent law of the economy, promote rationalization of the regional economic, industrial, and production structure.

2. /Make every effort to win a bumper harvest this year./

We must be sober-minded and note our agricultural production problems this year. Sustained rain during the autumn sowing season last year forced us to postpone the sowing work. Then, drought was experienced in the ensuing winter and spring. All these seriously affected the growth of wheat and rape. Even though the growing condition of these summer/ripening crops has been improved due to the efforts made in various localities to strengthen field management and the recent timely rain, production is still expected to be less than last year. While continuing to strengthen the late-stage field management for our summer-ripening crops, we should make proper arrangements for the autumn-ripening crops. More early- and middle-season rice, hybrid rice, corn, sweet potatoes, and miscellaneous cereal crops should be grown so that we will have a better autumn harvest to make up for the poor summer harvest. The leadership at all levels should in no way take lightly the unfavorable factors for this year's agricultural production, but they should uphold the idea of combating all disasters to win a bumper harvest and take effective measures against both flood and drought so as to avoid being subject to natural adversities. In other words, every effort should be made to achieve a high agricultural output.

Further efforts should be made to implement the policies contained in Document No 1 issued by the CPC Central Committee this year. We should continue to readjust our production structure according to the principle of "never relaxing in grasping grain production and energetically developing diversified operations." We should rely on science, increase investment, and stir up the peasants' enthusiasm to grow grain corps so as to fulfill the grain/sowing plan. At the same time, various effective measures--such as implementation of certain principles and policies, application of science and technology, and improvement of management--should be adopted to promote the production of cash crops and the development of industry and sideline operations according to market demands. We should take it as a long-term policy to develop industry and sideline operations to support farming and to grow cash crops to supplement grain crops. Through the system of contract purchase, we should "use industry to supplement agriculture" and "use sideline operations to support agriculture" in an effort to bring about all-round prosperity of our rural economy. This year we should achieve the goal of one steady increase--the steady increase in grain output--and four new breakthroughs--the breakthroughs in the development of animal husbandry and acquatic production, village and town enterprises, forestry, and the flow of commodities.

In addition, we should make a success of the various tasks that serve the needs of agriculture. With the development of the rural commodity economy, many of the above-mentioned tasks cannot be done successfully by a single family or household. This question can only be solved by the development of socialized services. We should step up the development of socialized service organizations and facilities of various types, natures, and sizes and make a success of the various services, including the services before, in the middle of, and after production. Energetic efforts should also be made to guide the peasants to use these service organizations and facilities as a starting point to gradually develop a cooperative system and finally make it perfect. All professions and trades should do their utmost to support agriculture, while agricultural departments are required to reinforce their ties with, and take the initiative to obtain support from, banking, financial, commercial, grain, supply and marketing, chemical industry, and electric power departments. Departments of agricultural science and technology should organize a work force to be sent to the rural areas to give guidance on scientific farming and render technical service required by the peasants. Indiscriminate collection of levies and fees should be strictly prohibited so as to lighten the peasants' burden. Assistance to the poor should be continued so that both the poor and the well-to-do will embark on the road of common affluence. There are countless tasks involved in agriculture, but once we have grasped the policy and service, we have truly grasped the vital points.

3. /Ensure sustained and steady growth of industrial production./

Our industrial growth rate for the first quarter of this year was 8 percent, a rate which ranked among the highest industrial growth rates in the country but is still less than the planned target. This was mainly attributable to the fact that our efforts were somewhat relaxed in January and February, that we had insufficient circulating funds, and that there was a shortage in the supply of raw and semifinished materials. Recently the provincial people's government has called a meeting to analyze the economic situation and has adopted necessary measures. At present, we should emphasize the following:

We should overcome the tendency to relax efforts and do everything to ensure the fulfillment of the production plan. By opposing one-sidedly seeking a high growth rate, we do not mean that the lower the growth rate, the better. Still less do we mean that we can relax our production efforts. What we should do is to maintain a reasonable growth rate while improving product quality and putting stress on economic efficiency. Without a reasonable growth rate and a real increase in production, it will be impossible to improve economic efficiency, meet the growing market demands, and contribute more to the state's accumulation, and what is more, even the process of reform may be affected. Therefore, it is imperative to seriously analyze the situation to find out both the favorable and unfavorable factors and mobilize the broad masses of staff members and workers to fulfill their production quotas every month and every quarter without fail.

It is necessary to strengthen ideological and political work among enterprise cadres, workers, and staffs. Economic work is the central task, and ideological and political work guarantees the smooth progress and healthy development of economic work. It is necessary to correctly handle the relationship between an enterprise and the state. An enterprise's leading cadres must lead workers and staff to make great contributions to the state and share the state's difficulties. They must not compete with one another for personal income. They must correctly handle the relationship between leading cadres and workers and put the workers' interests above all else anywhere and anytime. They must correctly handle the relationship between immediate and long-term interests. While appropriately increasing the distribution of personal income, they must pay attention to an enterprise's accumulation from production so as to increase reserve funds. It is necessary to properly solve according to policy questions concerning allocation of funds, do ideological and political work well, and develop the workers' enthusiasm for production.

It is necessary to maintain comprehensive control over and a balance of funds, raw and other materials, energy resources, and communications and transport. The shortage of energy resources, raw and other materials and, in particular, circulating funds is an important factor affecting this year's industrial production. Monetary and management departments and in particular materials through various channels to serve enterprises and create conditions for the steady increase of production in a coordinated way. It is necessary to guarantee on a first priority basis the supply of circulating funds to enterprises whose products are marketable. In addition, it is necessary to solve the question of inadequacy of circulating funds for newly built enterprises. It is necessary to launch mass activities of tapping potentials, practicing thrift, and increasing production and income and let all people make contributions to developing production and increasing economic results.

It is necessary to increase by big margins products which are in short supply and products which are marketable. It is necessary to continue readjusting the composition of products in accordance with market demand and the demand set by the provincial economic development plan. We must see to it that the products which are no longer marketable should not be produced. Our limited manpower and material and financial resources must be used in most needed trades and for the production of most needed products. It is necessary to strengthen the coordination and balance within a trade, strive hard to eliminate any obstruction, and spur the development of the trade as a whole.

It is necessary to further coordinate the relationship between industry and comemrce. Industrial and commercial departments must take the initiative in coordinating with each other and exchange production and marketing information. The industrial departments must guarantee the production of products under mandatory planning. They must regard the fulfillment of the state plan as their own responsibility and maintain the solemn nature of the plan. The commercial departments must actively replenish their stock and help plants open up markets and sell their products. They must use their numerous channels and well-informed sources to fully understand the composition of commodities and the supply and demand of the principle assortments of goods. They must make suggestions on increasing production of products whose supply falls short of demand and must help industrial departments solve appropriately the question of inadequate raw and other materials for light and textile industries. Both industrial and commercial departments must correctly handle the relationship between departmental benefits and social benefits, actively develop production, and improve supply.

4. /Expand and speed up commodity circulation./

At present, our province enjoys a stable market, but there are great hidden pressures. The province's first quarter retail sales increased by 6.3 percent, lower than the 35.6 percent increase in the corresponding period of last year. In addition, surplus buying power increased by some 30 percent over the end of 1984. Urban and rural residents' savings deposits increased by over 388 million yuan, an increase of 21 percent over the corresponding period of last year. Consumers' demand for commodities is very strong. It is necessary to continue attaching great importance to both circulation and production, expand and speed up circulation, and further improve supply.

We should break down barriers of administrative regions, follow an open-door policy, and promote the two-way circulation of industrial products and agricultural and sideline products. In order to develop lateral economic ties, various plants may operate jointly with producing areas of raw materials or with wholesale departments in marketing their products. Durable consumer goods' manufacturing plants and marketing units may be organized into integrated enterprises. The main producing areas and main marketing areas for pigs, poultry, eggs, vegetables, and other, nonstaple food products may also operate in a joint manner on a trial basis. Various retail stores may be organized into an association which can purchase goods directly from plants and distribute them among retail units. State-run commercial facilities should serve the whole society. Trade centers should be improved through reorganization and gradually turn themselves into economic entities to provide various services.

We should develop the role of commercial departments, actively promote the flow of commodities within and outside the province, and extend procurement and sales to distant localities. Through developing a "showcase" economy, we should organize a marketing network to promote the sale of Anhui's products in other localities. We should adhere to the principle of "whoever makes the investment receives the benefits." The state, collective, and individual should all work hard to promote commodity circulation.

We should give full play to the leading role of state-operated commercial enterprises. We should establish a reasonable stock of important commodities which are related to the national economy and people's livelihood. We should further expand the decision-making power of state-run commercial enterprises, raise the amount of profits to be retained by large and medium-sized commercial enterprises to an appropriate level, and further activate the operation of small state-run commercial enterprises. The rebuilding and expansion of commercial enterprises should be treated in the same way as the technological transformation of industrial enterprises. In promoting the circulation of rural commodities, we should first try hard to promote the procurement and marketing of grains and other agricultural and sideline products. We should further improve the contract system, improve service attitudes, raise service quality, and strive to turn commercial enterprises into a "showcase" of spiritual and material civilization.

5. /Strive to increase income and reduce expenditures, use funds in a flexible and lively manner./

In 1985, state revenue increased relatively quickly in this province, but expenditures increased even faster. Many new factors have emerged in state expenditures this year. The increased expenditures for wage reform, meetings, and official trips alone account for two-thirds of funds which can be increased in this province. The remaining portion of increased funds available for this province has to be used for expenditure increases for education, scientific and technological research, agricultural investment, various kinds of relief, and subsidies to units related to the reduction of prices for some chemical fertilizers. Therefore, funds which can be used in construction work will be very limited. During the first quarter of this year, state revenue increased by 11.1 percent compared with the same period last year, fulfilling 22.4 percent of the annual plan but not reaching the average requirement in gaining revenues. People's governments at various levels must conscientiously grasp financial work well and strive to fulfill the state revenue plan for this year.

It is necessary to develop and expand revenue sources and vigorously increase revenues. We should mobilize and organize various enterprises to strive to increase production, expand circulation, and raise economic results in order to create more profits and be able to pay more taxes. In light of problems discovered during the general investigation on tax collection, financial conditions, and commodity prices, we should adopt appropriate measures, establish and improve necessary rules and regulations and methods for supervision and investigation, and promptly and fully collect all money due the state. According to the State Council's decision, we should conduct general investigation on tax collection, financial conditions, and commodity prices every year for several years to come. We should strengthen auditing work and actively improve macro-control and strengthen economic management. We should continue to improve the finances of townships and towns, implement the financial system of "fixing a certain amount of income and expenditures with additional income distributed according to a set proportion and the unused portion used later, "whip up the enthusiasm of the grassroots level units in managing money matters, and reduce their dependence on higher level units for financial matters.

We must strictly control state expenditures and be industrious and thrifty in doing everything. This year's state expenditures are mainly for food supply, educational development, agricultural progress, normal administrative work, and relief for needy people. Expenditures for all other purposes must be kept within the limits of state revenues, and disbursements must be controlled according to the availability of funds. The provincial people's government has issued a "circular on strictly controlling state expenditures," formed an examination group for the approval of state expenditures, and is strictly controlling expenditures. Since the end of last year, the party Central

Committee and the State Council have issued a "circular on solving some serious problems in the workstyle of various offices at present" and several other documents. All localities and departments must conscientiously implement them, combine economical use of funds with the struggle against unhealthy tendencies, and firmly curtail administrative expenditures. At present, various units have made many requests to solve their respective problems. Most of their requests are quite reasonable. However, we are limited by the objective conditions and available resources, and it is impossible to "undertake numerous tasks at the same time." We can only concentrate on solving some problems at a time. If we list too many items and expenses, things will go contrary to our wishes.

We must use funds in a more flexible and lively manner. We must make vigorous efforts to increase deposits. The People's Bank and other specialized banks should all strengthen their management of funds, make flexible adjustments in the use of funds, actively promote lateral ties, speed up the turnover of funds, fully tap their potentials, and increase the usefulness of funds. We must also help various enterprises dispose of their unsold stocks and liquidate their outstanding loans. Governments at the provincial, city, and county levels should all systematically establish financial markets to promote economic development.

6. /Strengthen the building of socialist spiritual civilization and the legal system./

In his "Report on the Seventh 5-Year Plan," Premier Zhao pointed out: "It is our established long-term strategic policy for the entire historical period of socialism to promote the cultural and ideological advance of socialist society while furthering its material progress." In order to strengthen the building of spiritual civilization, we must speed up the development of education, science, literature, art, and other cultural work on the one hand and strengthen ideological building on the other. Under the new historical conditions, the invasion of corrupt capitalist ideology and the capitalist way of life, the growth of the idea of seeking personal interest and money in disregard of state and collective interests, and the damaging influence of unhealthy tendencies on social customs have indeed endangered the successful implementation of our policy of carrying out reform and opening to the outside world and impaired the further development of socialist material civilization. We must realize the serious nature of the problem and adopt effective measures to solve it.

We must firmly grasp ideological and political work for carrying out reform and opening to the outside world. We must strengthen education on the current situation and on policies for all cadres, staff and workers, and intellectuals. We must also strengthen education on the four cardinal principles and on the lofty ideals of communism, patriotism, socialist morality, and discipline in order to enable the broad masses of cadres and people to clearly understand the situation, unify their thinking, have common ideals and discipline, raise their ability to resist corrosion by various kinds of corrupt thinking, and consciously plunge themselves into reform and construction. We must set right our guiding ideology for workers on the cultural and theoretical fronts. Units which produce and disseminate spiritual products must strive to raise their workers' political and professional quality, keep to the four cardinal principles and the policy of serving the people, strengthen propaganda on discipline, place social benefits in first place, and provide more and better spiritual nourishment for the people. We must firmly resist literary and art works which may corrupt the people's soul and poison the minds of young people and children, and must also oppose the tendency of bourgeois liberalism.

We must persist in promoting construction and the legal system at the same time. Leaders at all levels must conscientiously study the guidelines of Comrade Deng Xiaoping's important speech on the matter to effectively raise their understanding of socialist democracy and socialist law, take the lead in studying legal knowledge and understanding and observing the law, and further strengthen public security and judicial work. One major content of the drive for spiritual civilization is the popularization of legal knowledge among citizens in a planned, step-by-step, and systematical way.

This is a grand social project. This year, the first year in the 5-year drive to popularize legal knowledge, we must mobilize forces in all quarters and make a good start by promoting the drive with serious and practical efforts. It is imperative to unswervingly implement the principles of giving heavier punishment at a faster speed as permitted by the law in our efforts to deal severe blows at criminal activities that seriously harm social order. Comprehensive efforts to stabilize and improve social order should be stepped up in order to build a solid foundation to enable us to fundamentally improve social order. Serious economic criminal activities should be cracked down with the firm resolve to ensure the smooth development of the reform of the economic structure and the drive for modernization.

The rectification on unhealthy practices calls for both firmness and persistence. We must firmly stop unhealthy practices among cadres, including engaging in commercial activities and running enterprises, sending personnel abroad in a haphazard manner, squandering public funds on pleasure tours, indulging in extravagance and waste, entertaining guests, presenting gifts, and giving bribes. Nothing is more effective in curbing such practices than having the leading organs and leading cadres set an example. People's governments and leading cadres at all levels must carry out earnest investigation of unhealthy practices in their respective offices and departments, solve problems one by one, and institute practical and enforceable rules and regulations to deal with these problems. In the recent past, there have indeed been a very small number of cadres, including a very small number of leading cadres, who collude with lawless elements in society to use their powers for personal gains and carry out other activities in violation of law and discipline. This has caused extremely serious harm. We must first deal with major and serious cases, adhere to the principle of both accuracy and speed, dare to handle tough cases without being softhearted, and be determined to make a thorough investigation to find out all the facts about any organization and any person concerned, at any level. We must see to it that laws are strictly observed and enforced and that lawlessness is punished. We must understand that everyone is equal before state law and government discipline.

It is necessary to promote the building of grassroots-level political power in the rural areas. We must make sure that leading bodies meet the requirement of being composed of cadres who are politically more aware, younger, better educated, and professionally more competent; we must enforce the division of administration and operation and see to it that township governments function in a sound and flawless manner. The building of political power should conform to the new situation of reform of the economic structure in the rural areas, and promote the development of the rural economy. We must promote the building of villagers' committees by carrying out ideological consolidation and reorganization; establish and perfect various organization and work systems, including those for people's mediation, public security, culture and education, public health, and social welfare; and perfect villagers' convention and pacts. We must build up rural grassroots political power in every administrative area into one which is full of vigor and authority and capable of leading and running the area's political, economic, cultural, and various other activities.

Fellow deputies,

In order to effectively promote the vigorous development of reform and economic construction, governments at all levels must strive to upgrade their work to a new level by adhering to the basic principle of wholeheartedly serving the people, improving the style of work, and raising work efficiency.

Governments at all levels must unswervingly focus attention on economic construction and make sure that work in all other areas is subordinate to and serves this focal point. Meanwhile, they must realize that there should be balanced development in all fields of work by taking everything into consideration. In the Seventh 5-Year Plan period, the transition of the government organs' managerial function from one of direct control over enterprises to one of indirect control should be speeded up to establish a new socialist macroeconomic management system. The nature of the work of economic management departments at all levels should be changed. Instead of directly organizing production and distribution of products, these departments should shift their work to mapping out plans for the entire trade, supervising and coordinating the whole trade's efforts, and serving it. Instead of depending mainly on administrative means, they should depend mainly on economic and legal means in doing their managerial work, and strive to achieve the objective of having managerial work serve enterprises.

Leading cadres at all levels should study hard the basic theory of Marxism, persist in linking theory with practice, constantly raise their consciousness of implementing policy, and raise scientific levels in decision-making and problem-solving. At present, special attention should be paid to studying Premier Zhao Ziyang's "Report on the Seventh 5-Year Plan" and important documents of the Fourth Session of the Sixth National People's Congress and to implementing them earnestly in actual work. Also, we should earnestly study science and technology, raise our cultural level, and acquire management and other professional knowledge; we should learn to do things in accordance with economic law so as to better perform our duties entrusted by the party and the people.

Governments at all levels, and all departments, should gear themselves to the people's needs, go deep down among grassroots units, and do good deeds and solid work for the masses. Leading cadres should devote at least one-third of their time every year to doing research and investigation work among grassroots units and solve problems for them on the spot. We should advocate the establishment of service centers for grassroots work, acquire the latest information, and ensure direct leadership. Governments at all levels should organize cadres to visit areas where the masses need them most and help solve difficult problems. They should, together with the masses, implement the party's policies and create a new situation. The experience of working among grassroots units will help mold and cultivate our cadres. Organizational workstyle must change dramatic ally. We must be determined to do away with "piles of paperwork and endless meetings," avoid wrangling and prevarication, improve service, and raise work efficiency. In doing things, we should adhere to the spirit of seeking truth from facts, speak unequivocally, work practically, seek practical results, avoid showiness, refrain from riding roughshod over people, and avoid raising a hue and cry. The provincial people's government should, above all, play an exemplary role in the province.

Governments at all levels and their workers should consider themselves as people's servants and voluntarily submit themselves to supervision by the representatives of the people, the people's congresses at all levels and their standing committees. They should faithfully execute resolutions and decisions of the people's congresses and their standing committees, regularly submit work reports, conscientiously handle proposals, suggestions, and criticisms advanced by people's representatives, and see to it every case is attended to.

Fellow deputies!

The task of translating the grand blueprint of our province's Seventh 5-Year Plan into a glorious reality is a very honorable but rather arduous one. However, we have full confidence in victory. Let us, workers, farmers, intellectuals, cadres, PLA commanders and fighters, public security personnel, members of the various democratic parties and people's organizations, Taiwan compatriots, Hong Kong and Macao compatriots, overseas Chinese, and all socialist-motherland-loving people, under the leadership of the CPC Central Committee, the State Council, and the Anhui Provincial CPC Committee, carry forward the spirit of the foolish old man who removed the mountains, engage in arduous struggle, and build the country with hard work and thrift. Let us plunge ourselves into the implementation and realization of the Seventh 5-Year Plan and strive for the accelerated development of Anhui's economy.

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CSO: 4006/1070

PROVINCIAL AFFAIRS

HEBEI REPORT ON 1985, DRAFT 1986 DEVELOPMENT PLAN

SK260745 Shijiazhuang HEBEI RIBAO in Chinese 7 May 86 pp 2, 3

[Report on the implementation of the 1985 economic and social development plan and the draft plan for 1986 economic and social development for Hebei Province delivered by Song Shuhua, chairman of the Hebei Provincial Planning and Economic Commission, at the fourth session of the Sixth Provincial People's Congress on 25 April]

[Text] Fellow deputies:

Entrusted by the provincial government, I now submit a report on the implementation of the 1985 provincial economic and social development plan and the draft plan for the 1986 provincial economic and social development for examination and approval by the present session.

1. The Situation Regarding the Implementation of the 1985 Plan

Thanks to conscientiously implementing the principle of "enlivening the domestic economy and opening to the outside world" and enthusiastically facilitating the reform of the economic, scientific and technological, and educational systems, the situation of the implementation of the 1985 plan for the national economic and social development was very good. The total social product was 73.46 billion yuan (calculated in terms of current prices), an increase of 13.8 percent over 1984. Of this, the total industrial and agricultural output value was 59.43 billion yuan, an increase of 12.1 percent. The output of most of the major industrial and agricultural products met or surpassed their production targets. New progress was made in scientific, educational, cultural, public health, and sports undertakings.

The Province Continued To Reap a Bumper Agricultural Harvest and Made Overall Progress in the Rural Economy

In 1985, the rural areas of our province took a new step toward readjusting the production structure and reforming the system of fixed state purchases of farm produce. This further sparked comprehensive rural economic development. The total social product of the rural areas of our province was 31.09 billion yuan, an increase of 15.1 percent over 1984. The total agricultural output value was 16.46 billion yuan, an increase of 3.3 percent (including the output value realized by the village-run industry). Of this, the output value of forestry, animal husbandry, sideline occupations, and fisheries was 4.34 billion yuan, the proportion of which, in the total agricultural output value, rose from 20.5 percent in 1984 to 26.4 percent. The total grain output was 19.666 million tons, an increase of 5.2 percent over that of the previous year. Due to the planned reduction of cultivated areas and the natural disasters, the total cotton output was 629,000 tons, a drop of 40 percent from the previous year. The total output of oil-bearing crops was 869,000 tons, an increase of 44.8 percent over 1984. The number of large animals in stock at the end of the year was 4.465 million head, an increase of 8.6 percent over that of the previous year. The output of pork, beef, and mutton was 819,000 tons, an increase of 27.6 percent over 1984; that of poultry and eggs was 334,000 tons, an increase of 44 percent; and that of aquatic products was 128,000 tons, an increase of 21.1 percent. In addition, 400,000 hectares were afforested last year, overfulfilling the plan by 50 percent.

Industrial Production Was Developed in a Sustained and Coordinated Manner and Economic Results Were Improved

In 1985, the industrial front of our province persistently attached primary importance to reform; conscientiously popularized the experiences of Shijiazhuang City in applying the method of "collision and rebounce" to carry out reform in a comprehensive and coordinated manner; continued to strengthen and improve the macroeconomic control and management, as well as to further grasp the work of enlivening the enterprises; and enthusiastically and successfully carried out the readjustment of the production structure and product mix. The total industrial output value was 42.97 billion yuan, an increase of 19.7 percent (if the output value realized by the village-level industry is not factored in, the increase was 14.9 percent. Of this, the output value realized by state industrial enterprises increased by 10.7 percent, that realized by the collective industrial enterprises increased by 24.3 percent, that realized by light industrial enterprises increased by 23.1 percent, and that realized by heavy industrial enterprises increased by 16.4 percent. Most of the major industrial products to be appraised according to plans met or surpassed the output targets, except for the fact that a few products such as chemical fertilizer, farm chemicals and sulphuric acid failed to meet their production targets as a result of the changes in supply and demand. The light and heavy industries were developed in a coordinated manner. Of the total industrial output value, the proportion of light industry was 48.5 percent, while that of heavy industry was 51.5 percent. The transportation capacity was improved. The volume of transportation was 5.3 billion ton-km, an increase of 5.5 percent over 1984. The volume of passenger transportation was 5.19 billion person-km, an increase of 8.5 percent over 1984. Postal and telecommunications undertakings witnessed new development, with total transactions of 126 million yuan, 13.9 percent more than in the previous year. The economic benefit of industrial enterprises improved. Compared with the previous year, the output value of local budgetary industrial enterprises grew by 9.9 percent, their income from sales by 15.6 percent, and their profits and taxes by 10.5 percent. The per-capita productivity of state-owned industrial enterprises that exercised independent accounting reached 12,468 yuan, 6.9 more than in the previous year. The overall energy consumption per 100 million yuan of output value of key industrial enterprises declined by 1.4 percent.

Investment in Local Capital Construction Was Brought Under Contro, and Large and Medium-Sized Construction Projects Were Completed Fairly Successfully

In 1985, governments at all levels throughout the province strengthened control over the investment in fixed assets, and straightened things out with regard to the projects under construction. A total of 273 projects were suspended, postponed, or canceled, saving 107 million yuan of investment. The scale of investment in local state-owned capital construction was brought under control effectively. The annual investment in local state-owned capital construction was 1.63 billion yuan, which was 97.3 percent of the state-approved quota in terms of comparable standards. Six large and medium-sized projects--the South Luan He water diversion and supply project, the Wannian No 2 pits in the Fengfeng mining area, the Liannancang vertical pits in the Kailuan mining area, the No 1 200,000-kilowatt power generating equipment included in the Xingtai Power Plant expansion project, the No 1 power generating equipment of Fengrun Power Plant, and the second-phase construction of the coal wharf of the Qinhuangdao Harbor--were completed and put into operation. Investment in technical transformation totaled 1.72 billion yuan. Major projects that were completed and commissioned totaled 1,191, which represented the largest annual figure in recent years.

Channels for Commodity Circulation Increased, and Urban and Rural Markets Became Thriving

In 1985, the total volume of retail commodity sales throughout the province reached 20.44 billion yuan, a 17.5-percent increase over the previous year. The increase was 8.9 percent when price increases are considered. Of this sum, the volume of consumer goods retail sales was 19.97 billion yuan, an increase of 22 percent. The increase of the retail sales of high-grade durable consumer goods, in particular, was even greater, with those of television sets increasing by 87.3 percent, those of electric fans by 2.4 times, those of washing machines by 73.6 percent, those of refrigerators by 6.5 times, and those of recorders by 95.2 percent. With increased circulation channels, urban and rural collective and individual commercial units grew rapidly. Throughout the province, the number of collective and individual commercial units increased to 440,000, 42,000 more than in the previous year, and their employees totaled 1.121 million, 214,000 more than in the previous year. Trade fairs and markets increased to 2,477, an increase of 203 over the previous year, and the business volume of urban and rural trade fairs totaled 3.38 billion yuan, an increase of 45.9 percent.

Revenues Increased Steadily, and the Credit Put Into Circulation Was Properly Controlled

Our province's 1985 revenue plan was fulfilled fairly successfully, with the total revenue reaching 4.515 billion yuan, an increase of 17.2 percent over the previous year. Credit put into circulation by banking units was properly controlled. The province's planned increase in loans to be used as investment in capital construction was 707 million yuan, but the actual increase was 698 million yuan, accounting for 98.7 percent of the plan. The planned increase in the loans of township enterprises was 102 million yuan, and the planned loans of the people's bank to various specialized banks totaled 6.412 billion yuan. Both were fulfilled according to the plans. The headquarters had approved our province's year-end temporary loans to be 1.774 billion yuan, but we actually used 1.754 billion yuan, or 98.8 percent. The amount of money put into circulation was reduced. Under the situation in which the wage and price reforms were initiated, the money put into circulation for the whole year totaled 1.883 billion yuan, a decline of 247 million yuan, or 11.6 percent, from the previous year.

Lateral Economic Ties Were Strengthened, and Foreign Economic Relations and Trade and Technological Exchanges Were Further Expanded

In 1985, our province witnessed new development in lateral economic ties. It sponsored an economic and technological cooperation invitational meeting, the fourth north China cooperation meeting, and a discussion meeting on international economic and technological cooperation and export commodities. All prefectures and cities also adopted various measures to expand lateral economic cooperation. According to incomplete statistics, by the end of last year our province established economic and technological cooperative relations with 27 provinces, municipalities, and autonomous regions and with more than 200 institutions of higher learning and scientific research institutes. During the past year, a total of 4,681 contracts on economic and technological cooperation were signed, with the contract value amounting to 940 million yuan and the materials cooperation value to 520 million yuan. Under these contracts, more than 6,200 competent persons were exchanged. At the same time, our province signed 201 technological import agreements valued at $140 million with foreign countries, almost 2 times that in the previous year, and signed 52 foreign capital utilization agreements valued at $48.03 million, a 2.7-fold increase over the previous year. Foreign trade expanded further. The 1985 total volume of foreign trade and export amounted to $1.298 billion, up 70.3 percent over the previous year. The tourist trade developed steadily. In 1985 the province received a total of 32,000 travellers, including foreign travellers, Overseas Chinese, and compatriots from Hong Kong and Macao, up 45.6 percent over 1984. The foreign exchange income from the tourist trade amounted to $2.23 million, a 38.6-percent increase over the previous year.

In the course of extensively organizing international economic and technological cooperation, we exercised control over the amount of foreign exchange utilized.

Last year, the province used a total of $119.67 million in foreign exchange, accounting for 99.7 percent of the foreign exchange utilization target assigned by the state to our province.

Great Development Was Made in Scientific, Educational, Cultural, Public Health, and Sports Undertakings, and New Achievements Were Scored in Building Socialist Spiritual Civilization

In 1985 our province scored gratifying achievements in research and application of scientific achievements and in technical development. Of the 563 scientific research projects covered by the provincial plan, 477 had met the requirements for progress rate. The research project for the development of the Taihang

Shan and the application of new rural energy resources were commended and awarded by the state. A total of 128 projects, including the project to cultivate grapes rapidly, the Jigeng No 7 drought-resistant variety of crops, the vita series of soft drinks, red and pink grape wine, and optical fiber communications, reached the advanced domestic levels. Among the already-scored scientific and technological achievements, 85.4 percent have been commissioned popularized, or applied.

New headway was made in educational undertakings. In 1985 the local ordinary higher learning institutions enrolled 15,600 students, up 13 prevent over the previous year. Of this, the enrollment in teacher training colleges increased by 19.4 percent, and that of specialized colleges 30.1 percent. The local higher learning institutions readjusted their establishment of specialities; added 46 specialities, such as technological economy, industrial analysis, thermal power engineering, textile engineering, forest protection, livestock and poultry breeding, and feed cultivation; and increased the enrollment quotas for the five specialities which fell short of the demands, such as industrial management, civil engineering, finance and economy, politics and laws, and computer science. Development of adult education was accelerated. Last year, the adult educational institutions enrolled 28,000 students, a 73.8-percent increase over the previous year. The secondary educational institutes enrolled 33,700 students (including the in-service cadres undergoing training), an 8.1-fold increase over the previous year. The enrollment rate of the school-age children reached 97.7 percent. Considerably good results were achieved in the popularization of the 9-year compulsory education and the secondary professional and technical education.

New achievements were scored in the literary, art, press, publishing, broadcasting, television, public health, sports, and family planning undertakings. In 1985 the province produced a total of 13 teleplays involving 23 volumes, distributed 173 new films, and published 447 million copies of newspapers and 239 million copies of books. The medical and public health conditions were continually improved. The number of hospital beds throughout the province reached 103,000, a 4.1-percent increase over the previous year, and the number of full-time medical personnel reached 153,200. The population growth was further controlled. The natural population growth rate was 11.5 per thousand. Our province's athletes won 73 gold medals, 62 silver medals, and 54 bronze medals in various international and domestic sports contests. This was a great breakthrough made by our province in the annals of sports history.

The People's Living Standards Were Improved, and the Growth of Consumption Funds Become Rational

In 1985 incomes of the urban and rural population increased, and their living standards were improved further. The per-capita net income of peasants was 385 yuan, an 11.6-percent increase over the previous year. Adjusting for price increases, the real increase rate was 6.5 percent. The age per-capita daily living expenditures reached 297.6 yuan, a 22.3-percent increase over the previous year. State organs and institutions carried out wage reform, and the enterprises began to readjust wage systems. The per capita wage of staff members and workers was 1,043 yuan, an increase of 13.6 percent over 1984. If the rise in living expenses is not factored in, the real increase was 4.4 percent.

A total of 337,000 jobless people were employed in the urban areas, and the number of workers in the urban areas reached 105,000. The year-end savings deposits of the urban and rural people reached 10.29 billion yuan, an increase of 28.8 percent. The people's housing conditions were further improved. New houses covering an area of 5.6 million square meters of floor space were built in the urban areas while housing projects completed in the rural areas reached about 45 million square meters of floor space. The increase of consumption funds tended to be rationalized on the premise that further improvements were made in the people's living standards.

Viewing from the general situation, the situation of the economic and social development in 1985 was very good. However, there were many problems. With regard to the macroeconomic management, we paid attention to strengthening the control over the scale of capital construction, consumption funds, and the use of credit and foreign exchange. And as a result of the fact that a situation of "demanding uniformity in everything" and exercising excessively rigid control emerged in some fields, some problems demanding an urgent solution were not handled, and some aspects that should have been enlivened were not enlivened at all. With regard to handling the relations between speed and results, we paid attention to maintaining proper speed but failed to take effective measures for upgrading the economic results. Such major problems as low quality, high consumption, poor management, and poor economic results existed in the industrial production and capital construction fields. In the circulation field. there were also such problems as the imbalance between different wholesale links, our failure to bring into full play the role of state and cooperative commercial enterprises as a major channel, lagging behind in terms of management and operation, and the impeded circulation unsuitable to the development of commodity economy. In terms of the rural economic development, we failed to provide the people with appropriate before-, during-, and after-production services. The peasants in some areas lost their enthusiasm for growing grain and cotton; thus, the tendencies of neglecting the farmland capital construction and having farmlands lie waste generally existed. The development of scientific, technological and educational undertakings failed to meet the demands of economic development. We failed to link science and technology with production. Our educational quality was not high enough. The provincial government has taken a series of measures for solving the above-mentioned problems in a step-by-step manner.

2. The Situation of the Arrangement for the 1986 Plan

1) Guiding Ideology and Major Tasks

The general guiding ideology and major tasks of the 1986 economic and social development plan are as follows: Conscientiously implement the guidelines of the Fourth Session of the Sixth NPC; persistently attach primary importance to reform; continue to grasp the reform of the economic, scientific and technological, and educational systems in accordance with the principle of consolidation, digestion, supplement, and improvement; vigorously facilitate lateral economic cooperation; persistently carry out an overall balance between the general demand and the general supply; ensure a sustained, steady and coordinated development of the national economy; continue to readjust the investment structure and the production structure in accordance with the principle of making an overall plan for ensuring the construction of key projects; strengthen key construction projects and technological transformation; enthusiastically increase the production of readily marketable products on the premise of upgrading the quality of product and economic results; maintain a proper economic growth rate; and continue to strengthen the socialist spiritual civilization while grasping the material civilization.

The major targets for the economic and social development are as follows: If calculated based on the 1985 price indices, the total industrial and agricultural output value should be 63.95 billion yuan, an increase of 7.6 percent over 1985. Of this, the total agricultural output value should be 17.12 billion yuan, an increase of 4 percent (including the 7 percent of the output value realized by the industry at or below the village level). The total industrial output value should be 46.83 billion yuan, an increase of 9 percent (excluding the 8 percent of the output value realized by the industry at or below the village level). The national income should be 35.1 billion yuan, an increase of 6.7 percent. The accumulation rate should be 29.5 percent. The per capita net income of peasants should be 420 yuan, an increase of 9 percent. The per capita wage of staff members and workers should be 1,132 yuan, an increase of 8.5 percent. The social labor productivity rate should increase by 4 percent. The overall energy consumption for national income should drop by 3 percent from that of the previous year.

2) Continue To Accelerate the Development of the Rural Commodity Economy

The rural economic development should be based on local resources, and aimed at achieving common prosperity. We should actively perfect the circulation system, and the cooperative service system, and further set to right the position of agriculture in the national economy. While ensuring a steady grain output growth, we should vigorously develop diverse undertakings, and do a good job in the development of "mountainous, coastal, and highland" areas.

In 1986, the output of major farm products is planned as follows: The output of grain is 20 million tons, that of cotton 675,000 tons, that of oil-bearing crops 900,000 tons, and that of meat 900,000 tons. In order to achieve an overall development in the rural economy, we should focus on the following work:

A. We should continue to readjust the rural production structure.

Grain growing areas should be stabilized. This year grain growing areas are planned to be kept at about 4.67 million hectares. We should strengthen management of the 2.46 million hectares of wheatfields, particularly the 1.67 million hectares provided with favorable water conservation conditions, and strive to increase per-unit yields, and the total output. We should stabilize and continuously improve the rural policies in order to protect the peasants' enthusiasm for growing grain and cotton. Localities where conditions permit should adopt measures, such as developing rural industries to support agriculture, or meting out awards or punishment according to the quality of the contracted land, to encourage peasants to invest more in production. Arbitrary occupation of farmland should be strictly banned in order to guarantee the steady growth of grain output. We should strengthen management of cottonfields, and strive to fulfill the state-assigned output plan. We should strengthen management of cottonfields, and strive to fulfill the state-assigned output plan. We should improve purchasing contracts, and organize well the serialized service for production, technology, and circulation. We should pay attention to vegetable production. In line with the guiding ideology of basing on the production of outskirts areas, supplementing it with that of other counties, gearing to the needs of urban areas, and serving Beijing and Tianjin, we should develop, in a planned manner, a vegetable field disposition with outskirts areas as the center, and combining outer suburbs and production bases. We should greatly develop animal husbandry, continuously support specialized households and villages, and expedite the construction of meat, egg and milk production bases, and the development of animal feed industry.

B. We should increase agricultural input, and improve the conditions for production.

We should increase our investment in agricultural capital construction if we are to maintain a steady growth, strengthen the agrotechnological foundation, and increase our strength for agricultural development. The province plans to invest 43.62 million yuan in agriculture this year, a 13.56-percent increase over the last year. At the same time, investment earmarked for some special projects has been arranged through other channels. In addition, rural areas should rely on their own accumulation, and raise funds from various quarters. We should successfully repair the existing agricultural facilities, provide them with all supporting installations, and manage them well. Obstacles in major rivers should be cleared, and their embankment should be reinforced so that rivers can be more capable of flood control. We should do a good job in afforestation and water and soil conservation to facilitate an ecological balance and gradually realize a bening cycle. We should exert more efforts to support poverty-stricken areas, properly use support-the-poor funds and materials, and supply them with sufficient food and clothing. We should also adopt correct policies and measures to invogorate poverty-stricken areas, and help them eliminate poverty and achieve affluence as soon as possible. Arbitrary collection of fees from peasants should be banned in order to lighten the burden on them.

C. We should speed up the development of "mountainous, coastal and highland" areas.

In mountainous areas, measures corresponding to local conditions should be adopted to fully develop local resources, expand farming, forestry, animal husbandry, and sideline production persistently in an all-round manner, engage in agriculture, industry, commerce and transportation in a comprehensive manner, and greatly develop the commodity economy. We should pay attention to planting trees and grass to conserve water and soil.

In highland areas, we should implement the principle of "combining forestry, grass planting, animal husbandry, and farming, with the focus on animal husbandry, while developing industry and commerce," strengthen the construction of grassland and shelterbelts, accelerate grassland renovation and its rational utilization, change grazing-land to increase grassland fertility, develop the three major advantages in animal husbandry, sesame production, and potato production, do a good job in the processing of animal products, and further improve the overall economic results.

Coastal areas should focus on fisheries, give priority to the production of marine products and salt, and the development of coastal strip, make the best use of sea and beach resources, actively develop sea fishery and aquaculture, and correspondingly develop supporting breeding fry, bait material, processing, storage, and road facilities.

D. We should accelerate the construction of commodity production bases.

In accordance with the principle of carrying out the unified plan in a step-by-step manner, this year we must concentrate on the construction of the corn production bases in the eastern part of the province, the Heilonggang cotton production base, vegetable production bases, livestock production bases, and fruit production bases. With regard to the construction of corn production bases, we should concentrate on making an overall plan, providing coordinated service, and conducting economic appraisal. With regard to the construction of cotton production bases, we should focus on breeding fine seeds, spreading technology, and constructing infrastructural facilities. With regard to the construction of quality cotton production base counties, this year we should grasp the construction of 11 base counties of such kind, including Nangong, Gucheng, and Jixian counties. With regard to the construction of vegetable production base counties, we should pay attention to the construction of nine base counties of such kind in Zhangjiakou, Langfang and Baoding prefectures which are near Beijing and Tianjin. With regard to the construction of livestock production base counties, this year we should grasp the construction of seven base counties for raising lean-meat hogs, six base counties for raising meat cattle, and two freshwater fish breeding bases in Tangshan and Shijiazhuang cities. With regard to the construction of fruit production bases, this year we should concentrate on building a production base of Xuehua pears in Zhaoxian County and a production base of honey peaches in Shenxian County. In accordance with the market demands and individual advantages, all localities should strive to achieve the construction of small bases for the production of meat, eggs, milk, vegetables, melons, fruits, medicinal materials, and flowers and plants.

E. We should accelerate the development of town and township enterprises.

We should enthusiastically support and vigorously develop town and township enterprises. In accordance with the market demands and different actual conditions, all localities should make the most of their own advantages and natural resources to take a path of organizing industrial and agricultural production in accordance with the demands of foreign trade. We should achieve the precision processing of farm and sideline products and pay attention to developing the tertiary industry. In accordance with the regulations set forth in the state policies, the areas with mineral resources should enthusiastically develop mining and building materials industries and various kinds of service trades. The areas around the urban areas and with fairly developed economy should develop the processing industries to serve large industrial enterprises or export trade. The town and township enterprises that have made an early start and with a good economic foundation should upgrade and update their products, carry out technological transformation, strive to develop new products, upgrade the product quality, and strengthen their competitiveness. We should continue to give assistance to the town and township enterprises, in particular, those in mountainous areas and highlands that have made a late start and have no good economic foundation. The urban industrial enterprises should enthusiastically expand the sales of their products to the rural areas, help the rural areas cultivate talented persons, offer them technologies, and provide information to them so as to expand the economic and technological cooperation between the urban and rural areas. While vigorously developing township- and village-run collective enterprises, all localities should enthusiastically support the development of cooperative enterprises and household-based enterprises in an effort to ensure that these four kinds of enterprises will be developed coordinately. The total income of the town and township enterprises this year is planned to be 20 billion yuan, an increase of 19.8 percent over 1984.

3) We Should Keep a Proper Industrial Growth Rate on the Premise of Upgrading the Economic Results.

With regard to the industrial production, this year your province should attach primary importance to reform, vigorously facilitate lateral economic cooperation, accelerate the pace of technological transformation, continue to readjust production structure, consciously strengthen enterprise management, and ensure a proper industrial growth rate on the premise of upgrading the economic results.

A. Further enhance the vitality of the enterprises.

We should continue to streamline administrative procedures and delegate power to the lower levels, and implement the regulations of the state and provincial policies on enlivening the enterprises. While enlivening the large and medium-sized enterprises, we should further relax the policy restrictions and enliven the small state enterprises and collective enterprises by carrying out the methods of managing the enterprises on a contract or lease basis, delegating power to them, and collecting funds for running these kinds of enterprises. In accordance with the state regulations, we should do a good job in reducing the regulatory business taxation of the enterprises and in allowing them to be exempted from it, and should increase the depreciation funds in a step-by-step and planned manner. This year, the province taxation totaling 61.92 million yuan for large and medium-sized enterprises in order to enhance their vitality. We should continue to expand the enterprises' plan-making power. The number of products covered by the provincial management plan decreased from 91 in 1984 to 83 this year. When assigning mandatory planning to the enterprises, we should leave some margin. We should initiatively carry out the system of factory heads taking the responsibility and fixing targets during their terms of office, and improve various categories of economic contract responsibility systems. The enterprises with favorable conditions are allowed to divide various accounting units and to carry out the system of each level taking the responsibility for managing the divided work. Through reform, we should ensure that the enterprises will be able to upgrade their abilities in accumulation, transformation and development.

B. We should accelerate the technological transformation of enterprises. This year the state will provide the province with 837 million yuan of investment in technological transformation projects. This investment will be mainly made in the light and textile, energy, raw materials, machinery, and electronics industries. Through reform, readjusting the product mix, improving the quality of products, and accelerating the upgrading and updating of products, we will gradually change the situation in which our products have remained at the same level for many years in terms of quality and have lacked competitiveness. We should continue to grasp technological transformation and emphatically import key equipment and software technologies. At the same time, we should strengthen the digestion and application of the imported technologies, and constantly raise the ability to develop new products and blaze new trails and the level of domesticization.

C. We should vigorously promote lateral economic cooperation. We should further expand the economic and technological ties with various fraternal provinces, municipalities, and autonomous regions, and gradually establish an open economic network. We should give full play to the role of the central cities, and strengthen the economic ties between the urban and rural areas. We should actively establish lateral economic ties between various enterprises, focusing on the brand-name, better-quality, and readily marketable products. Those integrations which have already been established should be consolidated and improved constantly in order to gradually develop them into group enterprises. We should strengthen the guidances over, coordination of and service for the lateral economic integrations, transmit information to them in a timely manner, and give them support in all fields. We should successfully hold the international and domestic economic and technological trade talks, positively utilize the foreign capital, and further expand the economic and technological exchanges with foreign countries and with other provinces in our country.

D. We should actually strengthen the enterprise management. Centering on improving the quality of products and lowering the materials consumption, we should actually strengthen and improve the enterprise operation and management, and comprehensively improve the quality of enterprises. Beginning with the basic work, we should attend to the work in the fields of standardization, metrological examination, management of production quota, information network, rules and regulations, basic education, and building of teams and groups. We should focus on popularizing the overall quality management and the overall economic accounting in order to make the stability and improvement rate of major products reach 80 percent or higher, to lower the raw materials consumption, calculating in terms of the materials volume, by 3 percent from the previous year, and to reduce the deficits of the money-losing enterprises by 25 percent. We should positively popularize the modernized management methods, gradually change the traditional management methods, and constantly improve the management of enterprises.

4) We Should Strictly Control Investment in Fixed Assets and Rationally Readjust the Investment Structure.

This year the initially arranged state investment in the province's fixed assets is 1.76 billion yuan, of which, 923 million yuan will be invested in capital construction projects, and 837 million yuan in technological transformation projects. Of the investment in capital construction, 220 million yuan is the investment raised by the localities in a unified manner and covered by the state budget; 360 million yuan is the investment raised by the people privately; 270 million yuan is the investment earmarked for rebuilding Tangshan, which was hit by an earthquake; and 73 million yuan will be invested in other projects. Calculating in terms of comparable standards, this figure is 175 million yuan less than that in the previous year. This investment will be mainly used for agriculture, energy industry, transport, communication, light and textile industries, raw materials industry and intellectual development. Of the 220 million yuan of investment raised by the localities in a unified manner, investment in agriculture will be 43.62 million yuan, up 13.56 percent over the past year; and that in education, 28.79 million yuan, up 27 percent. In addition, the province will invest the 90 million yuan, which is from the retained portion of the above-quota funds collected for developing key energy and communications projects, in energy and communications projects, an increase of 20.8 percent over the past year. In readjusting the investment structure, we will appropriately reduce the non-productive construction projects, and the proportion of the investment in such projects will drop from 69.8 percent in the past year to 54.8 percent. The key projects which will be completed and commissioned this year include: the Huabei Oilfield (700,000 tons); the Douhe Power Plant (200,000-kw generating unit); the Xingtai Power Plant; (200,000-kw generating unit); the Tangshan Power Plant (50,000-kw generating unit); the Zhangcun Colliery (300,000 tons), the Fengrun Power Plant (50,000-kw generating unit); the 500,000-volt high tension power transmission and transformation project from Shentou to Tianjin via Datong and Beijing, the Tangshan Coking and Gas Manufacturing Plant, the float glass production line of the Qinghuangdao Yaohua Glass Plant; the provincial scientific academy; the provincial scientific and technological building; the provincial scientific and technological information center; a library; the traditional Chinese medical college; and a genetic breeding center. Major projects to be continued or started according to plans include the Kailuan mining areas, the Fengfeng mining area, the Xingtai mining area, the Handan mining area, the Xingtai Power Plant, the Shangan Power Plant, the Shalingzi Power Plant, the Xiahuayuan Power Plant, the Baoding Power Plant, the Handan Power Plant, the Panjiakou energy reservation power station, the Tangshan Steel Plant, the Handan Steel Plant, the Xuanhua Steel Plant, the Chengde Steel Plant, the Bangmoshan Iron Ore in Qianan, the Tangshan Soda Plant, the Qinhuangdao Phosphate Ammonium Plant, the Daqian Railway, the Shijiazhuang railway pivot, the Handan south station, the expansion of the coal wharf of the Qinhuangdao harbor, the Shacheng-Donghuishe highway, the Shijiazhuang Oil Refinery, the Shijiazhuang Kinescope Plant, the Children Hospital, the Tumor Hospital, and the construction of some colleges and universities, and some agricultural, animal husbandry, and fishery commodity bases.

We should continue to implement the relevant regulations of the State Council and the provincial government in order to effectively control the investment scale. With regard to the key projects decided on by the state and the province, we should strengthen leadership and management, coordinate and solve the problems emerging in the course of construction in a timely manner, strictly act according to capital construction procedures, and conscientiously institute the system of taking the responsibility for the entire course of construction so that the projects can be completed and put into operation according to plans, and yield faster results. Meanwhile, we should make good early-stage preparations for all projects, and actively reserve some projects.

5) Enliven Circulation, and Expand Domestic and Foreign Trade

This year we should continue to reform the circulation system, vigorously establish, on a trial basis, new commercial units which combine industrial units with commercial ones, agricultural units with commercial ones, or agricultural, industrial units and commercial ones, expand commodity exchanges between the province and other provinces, and between urban and rural areas, invigorate fund circulation, and stimulate the development of the commodity economy. In 1986, the volume of commodity retail sales is planned to reach 23.44 billion yuan, an increase of 14.7 percent over last year; and that of exports is planned at $1.338 billion, an increase of 3.1 percent. This year, priority should be given to the folloiwing work:

A. We should open side the doors of urban and rural areas, and strive to open up a great market for the commodity economy. We should orient our work toward the rural areas and the whole country, serve Beijing and Tianjin, expand purchasing and marketing, encourage competition, make markets flourish, and ensure supply.

B. We should give play to the role of state-owned and cooperative commercial units as main channels, and make meticulous arrangements for markets. We should actively organize goods supply, increase the supply of industrial consumer goods, minor commodities and nonstaple foods, pay particular attention to the supply of vegetables, meat and eggs to cities and industrial and mining areas, participate in market regulation, and stabilize market prices.

C. We should speed up the construction of trade centers of means of production. We should encourage enterprises in and outside the province to take part in the markets of means of production, to make up for the others' deficiency from their own surplus, and to exhange information. Supply departments at all levels should render great support, extend quality service, and enliven material circulation.

D. We should accelerate the development of the tertiary industry. We should greatly develop catering, service, and repair trades by pooling the efforts of the state, the collective, and the individual, and the efforts of industrial and agricultural departments.

E. We should expand foreign trade and export, and increase foreign exchange earnings. Major products to be exported this year include 500,000 tons of corn, 50,000 tons of cotton, 90,000 pieces of cotton yarn, and 125 million meters of pure cotton cloth. All of them showed increases over last year. We should conscientiously carry out the state's various preferential policies aiming at promoting the production of export-oriented goods, and encourage enterprises to expand exports in order to earn more foreign exchange. While exporting traditional goods, and staple key commodities, we should also focus on the export of mechanical and electronics products. We should consolidate the old markets, and open up new ones. We should vigorously develop tourism, and do a good job in labor service export to earn more foreign exchange.

6) Reform the System of Science and Technology and Facilitate Technological Progress.

This year we should continue the reform of the scientific and technological system, carry out scientific research on the five trades of agriculture, light industry, textile industry, machinery and electronic industry, and chemical industry, and the four spheres of computer technology, bioengineering, new materials, and energy technology with the research on application, development and technology as the major tasks, develop the technology and tackle the technical problems of 24 major projects, and popularize and apply the 100 scientific and technological achievements. Major measures are as follows:

A. We should vigorously facilitate the reform of the scientific and technological system. We should widely open up technological markets to accelerate the circulation of technological commodities and improve the system of developing technologies in the rural areas and provide them with technological service in order to promote the readjustment of the production structure and the development of the commodity economy. Enterprises should be encouraged to set up institutions in charge of technological developments in order to ceaselessly enhance their ability to absorb technology and achieve development. Enterprises should be encouraged to establish technological cooperation ties with universities, colleges, and scientific research and designing units. Scientific research units should further carry out the self-management system, continue to carry out the system of signing contracts with payment linked to the technologies provided and the system of undertaking tasks on a contract basis. Prefectures, cities, and relevant departments should bring their roles into full play by carrying out a system of each level undertaking the assigned tasks.

B. We should conscientiously carry out the "speak plan." Small and medium-sized enterprises, town and township enterprises, and the vast rural areas should organize forces and cooperate with each other to select and develop a group of "the items that can achieve faster results with less investment" in order to set "a prairie ablaze" to promote our province's economic development.

C. We should vigorously popularize and apply the existing scientific and technological results. We should organize forces to compile, sort out, coordinate, and classify the existing scientific and technological results; and focus on expanding and transferring these results to small- and medium-sized enterprises and town and township enterprises.

D. We should organize forces to tackle scientific and technological problems. Relevant scientific research, teaching and production units should be organized to select items and cooperate with each other to tackle scientific and technological problems.

7) We Should Reform the Educational System To Upgrade the Educational Quality.

This year, we must continue to carry out the reform of the educational system, strengthen elementary education, make the 9-year compulsory education universal in a planned and step-by-step manner, vigorously develop teachers training education, readjust the secondary educational structure, develop vocational and technical education, and strive to upgrade the educational quality. In

1986, ordinary institutions of higher learning plan to recruit 16,380 students, an increase of 5 percent over 1985; secondary specialized schools plan to recruit 32,790 students, an increase of 15.3 percent; adult higher educational schools plan to recruit 32,768 students, an increase of 14 percent; ordinary middle schools plan to recruit 904,600 students, an increase of 3.4 percent; agricultural vocational middle schools plan to recruit 50,000 students, an increase of 13.8 percent; and primary schools plan to 1.17 million students, an increase of 7.2 percent. This year, we must concentrate on the following few tasks:

A. We should strengthen elementary education. First of all, we must grasp the work of making primary school education universal in order to lay a good foundation for making the 9-year compulsory education universal.

B. We should strengthen the construction of the ranks of teachers. The existing teachers training schools should enhance their teachers' quality and improve their conditions for running schools. In accordance with the principle of the province taking charge of cultivating teachers for senior high schools, prefectures and cities taking charge of cultivating teachers for middle schools and key primary schools, and counties (cities) taking charge of cultivating teachers for primary schools and nursery schools, we should perfect the system of developing teachers training education, do a good job in running educational institutions and county-level teachers training schools, organize teachers to attend advanced courses and upgrade their knowledge in a planned manner, and upgrade their teaching ability.

C. We should accelerate the development of vocational middle schools. While continuing to develop ordinary senior schools, we should vigorously develop vocational and technical education. Counties in the "mountainous and coastal areas and highlands" and Heilongjiang area should establish vocational middle schools in a step-by-step manner. In order to promote the development of vocational middle schools, from now on, we should give priority to recruiting workers from among the graduates of vocational middle schools.

D. We should strengthen higher educational work. We should tap the potential of the existing institutions of higher learning, expand the quotas for enrollment, and upgrade the educational quality. We should further readjust specialized establishments and accelerate the development of the branches of learning that we are short of, that we have not had, and that we are weak in.

E. We should strengthen the management of adult education. On the basis of consolidation and improvement, we should gradually shift the focal point of adult education to vocational education in order to cultivate more and better talented persons.

8) New Development Should Be Achieved in Culture, Health, and Sports.

Literature, art, press, publication, broadcasting, film, television, cultural and historical sites, museums, and other cultural undertakings should persistently serve the needs of the people and socialism, give top priority to social benefit, and provide more and better intellectual products to the people. We should actively develop public health, strengthen the construction of key hospitals, make rural health work successful, exert great efforts to train health perosnnel, strive to control and reduce the incidence of major diseases, and improve the people's health. Family planning should be continued to bring the natural population growth down to 11 per thousand. We should further carry out urban and rural sports activities, strive to raise the technical level of specialized sports teams, and enable them to achieve better results at major domestic and international events.

9) Make Proper Arrangements for the People's Lives

The living standards of the people in urban and rural areas should be continuously improved on the basis of developed production. We should conscientiously pay attention to the production of daily consumer goods, and nonstaple foods, such as vegetables, meat, and eggs, and organize market supply well. We should accelerate the development of the tertiary industry to achieve broader employment. We should also solve the conspicuous problems left over by the wage reform, and readjust the wage differences among different categories of jobs in some localities. Commodity prices should be kept practically stable. This year, the rise of the retail price index should be kept resolutely under 5 percent in the province, and arbitrary price hikes for the purpose of a huge profit should be stopped. We should continue to improve the housing conditions of urban people, actively develop social welfare undertakings, and make a success of relief work and special care to disabled servicemen and to family members of revolutionary martyrs and servicemen.

10) Continue To Improve the Planning System and Strengthen and Improve Macroeconomic Control

In order to meet the requirement of the socialist planned commodity economy, we should further reform the planning system, properly reduce the proportion of mandatory plans, and expand the scales of guidance plans and market regulation. The mandatory targets assigned to some large and medium-sized state-owned enterprises this year have allowed the enterprises about a 10-percent margin of production capacity. No level is permitted to increase the quotas, and those who assign the targets should be responsible for the balancing and coordination of major production conditions. Enterprises responsible for the allocation and distribution of the products covered by mandatory plans should receive orders for goods in strict accordance with plans, and organize production in line with required varieties, specifications, and schedules.

According to the state's relevant regulations, all construction projects, except for those of primary and middle schools, nurseries and kindergartens, and teachers training institutions built with flexible financial resources or extra-budgetary funds, should be included in plans, and be controlled and managed in a planned manner.

In order to gradually change from the mainly direct into the mainly indirect control in the macroeconomy, we should implement economic rules and regulations, establish and improve economic regulatory organizations, utilize economic levers in a comprehensive manner, strengthen macroeconomic control and regulating methods, do a good job in economic information and economic forecasting, establish an information network, and continue economic analyses and studies of input, output, and quantity to serve production, construction, and the enlivened economy.

This year is the first year of the Seventh 5-Year Plan period. The present situation is very good, and yet the tasks are very arduous. We should unite with and rely on the forces of various quarters, carry forward the spirit of working hard and building the country through thrift, work in unison, pool the wisdom and efforts of everyone, carry out reform persistently, explore to make advances, work diligently and in a down-to-earth manner, study new situations continuously, solve new problems, and strive to fulfill this year's tasks.

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CSO: 4006/1070

ECONOMIC DEVELOPMENT ZONES

BRIEFS

SHANGHAI POWER EQUIPMENT CORPORATION--Shanghai--The founding of the Shanghai Economic Zone Power Transmission & Distribution Equipment Corporation (STDC) was announced here yesterday. The STDC consists of the main manufacturers, research and design institutes in the field within the Shanghai Economic Zone, said manager of the corporation Shi Zuming at the opening ceremony. "The STDC is an integrated economic complex engaged in research, design and manufacturing of complete sets of power transmission and distribution equipment," Shi said. "The corporation was set up in a bid to solve the lack of coordination of research, manufacture and distribution of equipment in the region, and to suit the development of the economy," he added. [By staff reporter Zhao Yuanlong] [Text] [Beijing CHINA DAILY in English 9 May 86 p 2 HK] /12712

CSO: 4020/342

ANHUI GOVERNOR ATTENDS HEFEI ECONOMIC MEETING

OW021303 Hefei Anhui Provincial Service in Mandarin 1000 GMT 31 May 86

[Excerpts] A provincial conference on economic restructuring opened in Hefei today. Attending the conference are provincial party and government leaders including Wang Yuzhao, Lu Rongjing, Meng Fulin, (Han Danqin), Kang Zhijie, (Guo Qixiang), Zhang Dawei (Dao Ming), Wang Houhong, Song Ming, Zheng Jiaqi, (Yang Zhengyi), and (Zhao Huaihou).

After briefing the meeting participants on the main points of Premier Zhao Ziyang's speech at the first national conference on economic restructuring in urban areas held last March in Beijing, Vice Governor Zhang Dawei outlined seven measures to further promote lateral economic association in Anhui:

1. Lateral economic associations should be promoted as the main form of economic cooperation among enterprises.

2. In promoting lateral economic associations among enterprises, it is necessary to adhere to party policies.

3. The purpose of lateral economic associations is to rationalize the country's economic and industrial structure with a view to promoting production and voluntary cooperation on the basis of mutual benefit among enterprises.

4. In promoting lateral economic associations, it is necessary to broaden the decision-making powers of enterprises. It is necessary to formulate a series of policies to encourage lateral economic associations.

5. It is necessary to revitalize enterprises through lateral economic associations, and to create favorable conditions for the reform of enterprises.

6. In promoting lateral economic associations, we should aim at accelerating the replacement of the old structure by a new one.

7. It is necessary to deal correctly with problems encountered in the course of carrying out reform and invigorating the economy. We should never seek simplified methods of solution.

Representatives of prefectures, cities, and counties and leaders of provincial departments concerned also attended the conference.

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CSO: 4006/1082

FUJIAN'S HU PING STRESSES SCIENCE, TECHNOLOGY

OW090833 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping pointed out: Scientific and technological progress and the development of intellectual resources are strategically important to national economic growth; they are the preconditions for economic revitalization and the four modernizations. We must rely on science and technology to achieve national economic growth during the Seventh 5-Year Plan. Scientific and technological work should be conducted in a way that will best serve the purpose of economic and social development.

Hu Ping said: During the Seventh 5-Year Plan, we should undertake a number of projects that require less research time and are more reliable and capable of producing quick results. While actively applying and disseminating research results, we should also step up basic research as well as mid- and long-term research in those applied sciences that may contribute to Fujian's economic development. First, we should strengthen applied research to make full use of the advantages of our mountains and seas. We should firmly implement the "sparking program" to raise the technological standards of our medium-sized and small enterprises, rural enterprises, and farm production. Second, we should do a good job of digesting, absorbing, and improving imported technologies, successfully carry out technological transformation of enterprises, and quickly turn science and technology into productive forces to meet the needs of our opening to the outside world and developing lateral economic ties. Third, we should organize coordinated efforts to tackle major research and technical problems encountered in economic construction and social development. To ensure scientific and technological development, we need to further reform our scientific and technological structure, raise our research institutions' ability to conduct research and develop new technologies, popularize the remunerative contract system, expand the technology market, vigorously promote joint economic ventures for technological development and unclog circulation channels to ensure the smooth flow of research results to the production sector. We should speed up scientific and technological personnel training, expand their ranks, institute a system of hiring people for specialized technological posts, and further arouse the initiative of the vast numbers of scientists and technicians.

Hu Ping said: Education should center on personnel training and the development of intellectual resources. It should serve to raise the ideological, cultural, and technological standards of our people. During the Seventh 5-Year Plan, we should comprehensively implement the central committee's decision on reforming the education structure, enforce the Law of Compulsory Education of the People's Republic of China, seriously strengthen preliminary education, actively push forward the 9-year compulsory education system, make primary education universal, vigorously develop middle school education, improve secondary vocational and technical education while promoting regular high school education, and pay attention to the development of preschool education. Regular high schools should readjust their curriculums, improve their teaching infrastructure, and raise educational standards. We should vigorously develop adult education and initially establish an adult education system incorporating primary, secondary, and higher education. We should make serious efforts to run schools for training teachers at all levels. We should give priority to teachers' education in terms of budgeting and other conditions. We should foster fine social ethics of respecting teachers and knowledge and help to establish a contingent of teachers suitable to our needs in terms of standards, numbers, and specialization. Schools of all kinds and at all levels should implement the policy of development in an all-round way, morally, intellectually, artistically, and physically. We must pay attention to the quality of education in order to train qualified personnel for socialist construction.

Hu Ping said: To ensure vigorous development of science, technology, and education, budgets for and investment in these two areas will increase during the Seventh 5-Year Plan. Governments, departments, enterprises, collectives, and individuals should all concern themselves with science, technology, and education and fulfill their obligations to help promote their development.

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CSO: 4006/1082

HUBEI'S GUO ZHENQIAN ON COMMODITY CIRCULATION, CREDIT FUNDS

HK310153 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 28 May 86

[Text] In his speech at the provincial conference on financial and trade work which concluded today, Governor Guo Zhenqian stressed: Enlivening the circulating of commodities and making good use of credit funds are two difficult points and two focal points of the current financial and trade work. CPC committees and governments at all levels must do well in grasping them.

In dealing with the work of enlivening the circulation of commodities, Guo Zhenqian said: After the control of the price of the live pigs was lifted, the majority of some 800 food business centers have found it hard to do business and have incurred serious losses. However, one-third of the food business centers have been able to ensure no losses incurred and some county food companies have made profits. The main reason is that these enterprises have carried out their internal reform relatively well and have suited the new situation. To overcome the difficulties now encountered by state-run commercial enterprises and supply and marketing cooperatives in doing business, it is therefore first to begin with enterprises' internal reform. Second, it is essential to break through the demarcation line of departments and regions, to vigorously develop many forms of economic ties, and to form a new type of enterprises and a network of circulation. It is imperative to vigorously implement the agent system and to sell products on behalf of factories and peasants. In the past, Hankou had many bazaars, which were agents. This mode of operation can now be used.

In talking about making good use of funds, Guo Zhenqian said: Our province is now still slightly short of funds. Party and government leaders at all levels and economic departments must regard making good use of funds as an important matter and strengthen the management of funds and guidance to and supervision of their application.

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CSO: 4006/1082

JILIN PARTY LEADERS HOLD ECONOMIC FORUM

SK010447 Changchun Jilin Provincial Service in Mandarin 2100 GMT 30 May 86

[Text] On the afternoon of 30 May, leading comrades, including Gao Di, secretary of the provincial CPC Committee; Gao Dezhan, governor; and Gao Wen and Liu Shulin, vice governors, held informal discussions with responsible comrades of various cities, prefectures, and autonomous prefectures who were attending the provincial economic work conference and the provincial economic structural reform work conference, and heard their briefings.

Gao Di, secretary of the provincial CPC Committee, gave a speech on strengthening economic and ideological and political work. Comrade Gao Di pointed out: It is necessary to further strengthen leadership over economic work. Recently, the provincial CPC Committee and government called for focusing attention on the following tasks: In agriculture, we should combat disasters in order to reap a bumper harvest. We should overcome low temperatures, cold weather, and insect pests, and strive by all possible means to prevent flooding. At present, the work of transplanting rice seedlings has been basically completed. The focus of economic work in the days to come should be on grasping industry, and the major tasks in the industrial sector should be on reform. The basic principles for reform are to open the province to the outside world and to invigorate the domestic economy. We should display the superiority of natural resources and guard against the closed economy. We should not depend on a locality or an enterprise to solve our problems. It is necessary to establish cooperation and gather the superior aspects from all fields in order to boost production and increase economic results. We should emancipate our thinking and eliminate the ideology of fearing other people picking up our good things. Cooperation is aimed at developing mutual benefits. Even though we have favorable conditions for running enterprises, we should also break through barriers to engage in extensive development. We should extensively carry out multilayered and multichanneled cooperation in various forms. In cooperation, we should allow enterprises to enjoy more decision-making power and should ease rigid control over them. The main job of the leading organs is to render better service. All enterprises should firmly implement the economic contract responsibility system at all levels, and properly handle the relations of interests among the state, the collective, and the individuals. After the implementation of policies, enterprises should guarantee their success with scientific management so that their managerial level will meet the requirements of economic reform.

In his speech, Comrade Gao Di emphatically pointed out: In the course of reform, we should strengthen ideological and political work, for this is the fundamental guarantee for fulfilling all our tasks. It is necessary to unswervingly implement the system of plant directors assuming full responsibility. The CPC committees should support plant directors and should not meddle in their administrative affairs. They should grasp major policies, ideological and political work, and the building of the party. They should also improve party style. We should exert joint efforts to run enterprises in a better manner and to make greater contributions to the state.

The forum was attended by the responsible comrades of the provincial CPC Committee and government; the various departments, commissions, offices, and bureaus; and the provincial foreign affairs office.

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CSO: 4006/1082

NEI MONGGOL'S BU HE ADDRESSES SUPPLY, MARKETING CONFERENCE

SK091206 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 8 Jun 86

[Text] At the recent regional supply and marketing cooperatives work conference, Bu He, chairman of the regional government, said: In the course of reforming the structure of the supply and marketing cooperatives, we should extensively carry out lateral economic cooperation on the basis of changing them from being owned by the government to being run by the people, and serve the peasants and herdsmen in developing commodity production.

The 6-day regional supply and marketing cooperatives work conference summed up the experiences of the supply and marketing cooperatives across the region gained since the unfolding of structural reform and studied the work for the second half of the year. Comrade Bu He has been concerned about the structural reform work of the supply and marketing cooperatives. He fully affirmed the achievements in the previous stage of structural reform of the supply and marketing cooperatives and put forward specific demands on future work. Bu He said: Recently, we have decentralized some rural supply and marketing cooperatives. We should conscientiously sum up experiences in decentralizing the supply and marketing cooperatives and better balance their relations. At present, we will not decentralize any additional supply and marketing cooperatives. Reform is a process of exploration and practice. We should not seek uniformity.

Comrade Bu He said: Turning some government-run supply and marketing cooperatives into civilian-run cooperatives and increasing the number of supply and marketing cooperatives are beneficial to establishing close ties between the supply and marketing cooperatives and the peasants and herdsmen and winning support from the masses. Peasants and herdsmen said joyfully that their supply and marketing cooperatives have come back. Under the situation in which the commodity economy is being developed, about 60 percent of the supply and marketing cooperatives in the market sphere have more obviously displayed their role as the major channels.

Comrade Bu He called on the CPC committees and governments at all levels to strengthen leadership over the supply and marketing cooperatives, support their work, delegate powers to them, and help them solve difficulties. As for the outlaying poverty-stricken areas, we should realistically implement the policy on nationalities and support them economically. With regard to a small number of low-profit and money-losing enterprises, the relevant departments should try all possible means to support them, to help them free themselves from poverty, and to vitalize them within a short period of time so that they will be able to better serve peasants and herdsmen.

While touching on lateral cooperation, Comrade Bu He called on the supply and marketing cooperatives with appropriate conditions to carry out cooperation between farming and commercial units, between livestock breeding units and commercial units, and between industrial and commercial units, and among commercial units. On the one hand, the supply and marketing cooperatives should sign cooperative operation contracts with peasants and herdsmen and provide them with serialized preproduction and postproduction services. On the other hand, they should promote the sales of farm, animal, native, and sideline products to other localities. At the same time, they should actively raise funds to run all kinds of cooperative processing industrial units in order to turn out intensive processing products on the spot.

He expressed the hope that the supply and marketing cooperatives will make great contributions to developing commodity production, establishing township enterprises, and helping the poor.

While touching on democratic management over the supply and marketing cooperatives, Comrade Bu He pointed out: Those peasant and herdsmen representatives who participated in the board of directors and the supervisroy committee should not only give guidance in the work but should also speak prudently and realistically represent the interests and demands of peasants and herdsmen.

With regard to the improvement among supply and marketing cooperatives, Comrade Bu He called for efforts to raise the political awareness and the professional skills of the workers and staff. He expressed the hope that workers of the supply and marketing cooperatives will cherish their own work and improve service quality. He suggested that in the future, the educational departments, should transfer some college and secondary vocational school graduates to work in supply and marketing departments. They will receive the same wages as cadres of state organs.

At the conference, Comrade Bu He also put forward some suggestions on the current purchases of fine hair and the development of cooperation between plants and the raw materials producing bases, which greatly inspired the comrades attending the conference.

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CSO: 4006/1082

BRIEFS

MATERIAL SUPPLY WORK REFORMS--According to HUNAN RIBAO, Governor Xiong Qingquan said at a provincial conference on material supply work on 7 June that a current important task in the province's material supply work is to reform the materials planning setup, achieve comprehensive balance in materials, further develop the production materials market, and enliven the circulation of materials. At present the planning and allocation of major materials is under the charge of the provincial planning commission. The connection between these arrangements and actual operations is not tight enough. As a result there is a lack of coordination between what is covered by the plan and what is not, between allocation and supply, and between operations and management. To solve this problem, Governor Xiong demanded that a good grasp be got of reforming the material planning and allocation setup and that proper comprehensive balance of materials be organized. The material supply bureaus must help the planning commissions to tackle this work. [Excerpt] [Changsha Hunan Provincial Service in Mandarin 2200 GMT 9 Jun 86 HK] /9738

CSO: 4006/1082

FINANCE AND BANKING

'READER'S MAILBOX' ANSWERS QUESTIONS ON JOINT VENTURES

HK120314 Beijing ZHONGGUO XINWEN SHE in Chinese 0248 GMT 7 Apr 86

[Readers' Mailbox: "How Can Enterprises Run With Overseas Chinese Capital and Foreign Capital and Chinese-Foreign Joint Ventures Acquire Loans?"]

[Text] Beijing, 7 Apr (ZHONGGUO XINWEN SHE)--Question: What is done if an enterprise run with overseas Chinese capital or foreign capital or a Chinese-foreign joint venture wants to acquire a loan?

Answer: Any enterprise with monopolized capital or joint venture which has been approved by China's relevant departments and has registered at the state industrial and commercial administrative bureau and acquired a license for operation may apply for loans at the local Bank of China.

The Bank of China now handles such loans in the following categories: First, loans for circulating funds, namely, loans for short-term circulating funds which enterprises are short of in the process of commodity production and commodity circulation; second, loans for settling accounts, which an enterprise needs for the production funds which have been spent on the shipment of commodities in the course of their marketing in China and abroad; and third, loans for fixed assets, namely, funds needed by an enterprise to expand professional operations, for renovation and transformation, and for the increase of fixed assets.

These loans are made either in Renminbi or foreign currencies. The enterprise will repay the loan in the kind of currency it borrows, and interest will be calculated in terms of the kind of currency involved.

Question: What is the procedure for applying for a loan?

Answer: In applying for such loans, one must first meet the following requirements: First, the applicant must observe the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment"; second, the applicant must have an account at the Bank of China or a bank approved by the Bank of China; third, it must have a reliable reputation and good management and operations; and fourth, it must have reliable sources of funds for loan repayment and interest payment, and a mortgage or a guarantor unit approved by the bank must be provided when an application for a loan is made.

An enterprise must meet the foregoing conditions with the approval of the enterprise board before taking steps to apply for a loan such as filling in the loan application, and providing necessary certified documents, data, and relevant copies of contracts.

After the loan application is examined and approved by the bank, the enterprise in question should sign a debtor contract with the bank. A loan account is then opened and the loan is made based on the articles of the contract. Concerning credit loans, a written pledge must be provided by the gurantor unit approved by the bank attached to the loan contract. For mortgage loans, written evidence on the mortgage as a guarantee of repayment for the loan must be provided by the debtor enterprise with the approval of the bank attached to the loan contract.

Question: Is there a ceiling on the loan?

Answer: The ceiling for the loan must not exceed 200 percent of the registered capital of the enterprise, and a loan made with a mortgage as a guarantee of loan repayment must not exceed 70 percent of the current value of the mortgage.

Question: What are the regulations for loan repayment and interest payment?

Answer: The debtor enterprise must return the exact sum of the loan to the bank on time according to the stipulated date on the loan contract. If a loan is not repaid by the deadline, the loan must be repaid by the guarantor unit. The bank has the right to sell the mortgage of the debtor enterprise for repayment of the principal and interest of a mortgage loan. Regarding past due loans, the bank will take additional interest of between 25 and 50 percent on the basis of the original interest rate for the loan beginning from the due date.

If the debtor enterprise is unable to pay the interest on time, the bank will actively transfer the due interest to the loan account of the debtor enterprise, calculating at a compound interest rate.

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CSO: 4006/1082

REPORT ON 1985 TIANJIN BUDGET, TASKS FOR 1986

SK012310 Tianjin TIANJIN RIBAO in Chinese 14 May 86 p 3

["Excerpts" of report on the fulfillment of the 1985 financial budget and the 1986 budget tasks presented by Yue Shugong, director of the Tianjin Municipal Finance Bureau, at the 5th Session of the 10th Tianjin Municipal People's Congress on 23 April]

[Text] 1. The Implementation of the 1985 Financial Budget

In 1985, the various economic departments throughout the municipality conscientiously implemented the principle of reform, opening to the outside world, and vitalizing the economy; made important strides in reforming the urban economic structure; developed the economy in a sustained, steady, and coordinated manner; continued to raise economic results; and further improved the livelihood of the people. On this basis, the implementation of the financial budget was good. We overfulfilled the revenue task, guaranteed all necessary expenditures for various undertakings, basically met the needs of the urban economic structural reform and social and economic development, and made due contributions to achieving a fundamental turn for the better in the state's financial and economic situations.

Our municipal financial budget for 1985 was adopted at the 3d Session of the 10th Municipal People's Congress and was discussed and readjusted at the 25th Standing Committee meeting. The fulfillment of the readjusted budget was as follows:

Financial revenue reached 4,410,930,000 yuan, which was 114.1 percent of the readjusted budgetary figure of 3,865,420,000 yuan. If calculated in terms of comparable standards, the increase reached 21.2 percent over the previous year. Adding in the new urban facilities maintenance tax of 179.63 million yuan, the total financial revenue reached 4,590,560,000 yuan, thus ending the situation in which the financial revenue wavered at about 4 billion yuan for a few years. We witnessed a fairly big financial increase and succeeded in increasing production and revenue. Of the total financial revenue, the revenue from the enterprises amounted to 1,027,340,000 yuan, which was 95.3 percent of the budget, a decline of 8.8 percent from the previous year it calculated in terms of comparable standards; tax revenue came to 3,358,190,000 yuan, which was 120.8 percent of the budget, showing an increase of 21.4 percent over the previous year; and revenues from other fields came to 25.4 million yuan, which was 347.5 percent of the budget, showing an increase of 360 percent over the previous year.

In 1985, we collected 393.85 million yuan in funds for key energy and communications projects, overfulfilling the state-assigned task by 140 percent, and issued 148.39 million yuan worth of state treasury bonds, topping the state-assigned task by 3 percent.

The financial expenditures came to 2,160,380,000 yuan, which was 75.6 percent of the readjusted budgetary figure of 2,856,140,000 yuan, an increase of 19 percent over the previous year. Adding in an expenditure of 209.03 million yuan for city maintenance, the total financial expenditure reached 2,369,410,000 yuan. The breakdown of the total expenditures was as follows: 1) The expenditure for capital construction came to 1,011,590,000 yuan, which was 85.6 percent of the budget, showing an increase of 46.4 percent over the previous year it calculated in terms of comparable standards. The completion and operation of the 30 municipal key industrial projects in the light industry and textile, machinery and electronics, and metallurgical sectors helped increase the production capacity. The construction of the western half of the Zhonghuan road and the Haimen grand bridge were completed and opened to traffic, which helped improve the city operations; 2) appropriations for tapping the potential of enterprises and for carrying out technical transformation came to 97.73 million yuan. Together with the investment allocated from the municipality's centralized depreciation funds, the total expenditures reached 183.48 million yuan, showing a slight increase over the previous year; 3) the appropriations for the three scientific and technological projects came to 52.76 million yuan, which was 90.4 percent of the budget, a decline of 6.1 percent from the previous year. Of this, 20.32 million yuan was allocated from the local treasury, an increase of 13.4 percent. The special funds for such purposes given by the various central departments declined from the previous year; 4) the appropriations for supporting agriculture came to 81.2 million yuan, which was 80.1 percent of the budget, showing an increase of 8 percent over the previous year. We gave priority to developing seawater and freshwater breeding and the production of lean-meat hogs, fruits, and farm and sideline products; 5) the appropriations for cultural, educational, scientific, and public health undertakings came to 483.22 million yuan, which was 94.2 percent of the budget, showing an increase of 26.5 percent over the previous year, exceeding the growth of the regular financial revenue and that of the hotel expenditures for the allocation of funds. Of this, the appropriations for regular education came to 203.02 million yuan, an increase of 31.3 percent over the previous year. To ensure the needs of expenditures on universal education allocations, we once again readjusted the spending standards for teaching administrative expenses, with the allocations for middle schools increasing by 73 percent and those for primary schools and kindergartens by 65 percent. Expenditures on purchase of equipment came to 27.9 million yuan, an 11-percent increase over the previous year. In the course of replenishing and improving the teaching and experimental equipment of the existing schools, we equipped the newly built primary and middle schools and kindergartens with installations in coordination with the urban construction. Expenditures on repairing of schools came to 11.14 million yuan, up 91 percent over the previous year. With this fund, 50,000 square meters of hourses of primary and middle schools in the urban areas were repaired. With the state subsidies and the funds raised by various fields, we repaired and built 170,000 square meters of houses for the rural primary and middle schools. Allocations for public health undertakings came to 115.87 million yuan, up 29.8 percent over the previous year. We improved the equipment of two city-level hospitals and four district- and county-level hospitals, and added 1,285 new hospital beds; 6) allocations for administrative management came to 122.4 million yuan, 90.4 percent of the budgeted figure, fulfilling the central authorities-assigned task of reducing the administrative management expenses by 10 percent; 7) after loosening control over the prices of foodstuffs, we issued 265.44 million yuan to subsidize the prices of food stuffs, of which, 153.39 million yuan was released from the local budget; and 8) expenditures on appropriations for the simple construction projects; the industrial, communications, and communications undertakings; employment for the urban youths; urban maintenance; undertakings in other departments; social relief; and militia undertakings totaled 367.12 million yuan, showing increases of varying degrees over the previous year.

In 1985 the central authorities implemented the financial system of "differentiating the variety of taxes, checking and deciding revenue and expenditure quotas, and letting each level be responsible for its financial work" in our municipality, and fixed the municipality's proportion of retention of revenues at 39.45 percent. The municipality implemented the financial system of "deciding the basic quota, sharing the total value of revenues, and proportionate sharing of revenues" among various districts and counties, and fixed the proportion of revenue sharing at 38 percent.

In 1985 the accounts showed a favorable balance of 698.19 million yuan, of which, 500.83 million was from the municipal-level budget and 197.36 was from the county-level budget.

During the past year, with the aim of adapting to the needs of the economic structural reform and promoting social and economic development, the financial and tax departments have scored some achievements in strengthening macroeconomic management in the course of allowing flexibility in the microeconomy. To invigorate enterprises, we have cotninued to improve the plans for implementing the second step of substituting taxes for delivery of profits among state enterprises, have actively implemented measures for invigorating large and medium-sized enterprises, have appropriately relaxed control over the policies toward small enterprises, and have further intensified the vitality of enterprises. To ensure the development of various undertakings, we have not only given consideration to the needs of economic construction and the development of cultural and educational undertakings, but have also taken into account the expenses in other undertakings, thus further reationalizing the distribution of expenditures. To support the wage and price reforms, we have mainly depended on the local financial resources to properly provide the funds for wage increases of various administrative departments and establishments, and for granting the subsidies for foodstuff prices. To strengthen the management of tax revenues, we have further given play to the role of tax revenue as an economic lever, improved the tax system, and established a system for collection and management of taxes from departments in charge of foreign affairs, one which is basically suitable for the work of opening to the outside world. To develop new products and introduced the policy of giving awards to those enterprises that produce and purchase goods for export and the policy of returning taxes to enterprises that produce export goods. In 1985 a total of 112 million yuan of taxes was returned to enterprises, thus encouraging them to export more goods and earn more foreign exchange. In order to enforce financial and economic discipline, we have conducted the general survey on tax revenues, financial affairs, and market prices. Through this survey, we have not only ferreted out and handed over to the state treasury 128 million yuan in illegal money, but [words indistinct] vigorously promoted the protection of the socialist legal systems and discipline and the improvement in party style and social conduct.

While affirming the continuous improvement in the financial situation, we should also note the current difficulties and problems. Some enterprises produce poor-quality goods, and their product mix is not reational enough to suit the changes in market demands. Others have low managerial and technological levels, large material consumption, poor economic results, and poor ability for mastering and applying technologies. Investment in some capital construction projects and projects involving technical transformation measures yields slow returns, the situation of relying on state investment to expand production has yet to be thoroughly changed, and enterprises lack the ability to transform and develop themselves. Some weak links still exist in finance and tax management, and loopholes in incomes, losses and waste in expenditures, and financial and economic discipline violations are common at some units that lack a sense of law and discipline. We should conscientiously study and solve these problems in the new year.

2. The 1986 Budget

The 1986 budget has been fixed in line with the guidelines of the national financial work conference, and the major targets set in Tianjin's plan for national economic and social development.

The total budget revenue is 5,171,280,000 yuan, an increase of 6.2 percent over the previous year in terms of comparable standards. Specific arrangements are as follows: 1) the revenue collected from enterprises is 1,350,180,000 yuan, an increase of 0.5 percent over the previous year in terms of comparable standards. Of the sum, the revenue collected from industrial enterprises is 1,247,810,000 yuan, the same as the previous year; 2) taxes of various categories total 3,628, 610,000 yuan, an increase of 6.8 percent over the previous year; 3) the revenue from other sources is 10 million yuan; and 4) the urban maintenance and construction taxes total 182.49 million yuan.

As assigned by the central authorities, our municipality should collect 162 million yuan in key energy and communications construction funds, the same as the previous year, and issue 148.37 million yuan of treasury bonds, an increase of 3 percent.

The total budget expenditure is 2,975,460,000 yuan, of which 1.841 billion yuan should be allocated from the revenue of the same year, showing an increase of

7.5 percent over the previous year. Arrangements for major expenditures are as follows: 1) the spending for capital construction totals 877.86 million yuan, an increase of 2.3 percent over the previous year; 2) the spending for the three scientific and technological purposes totals 27.91 million yuan, an increase of 8.3 percent over the previous year. In addition, arrangements have been made to allocate 38 million yuan to equip key scientific research institutions, invest in intermediate experimentation, and develop "three basics"; 3) the spending in support of agricultural work totals 95.73 million yuan, an increase of 17.9 percent over the previous year. The increase is mostly intended for developing farm and sideline products, and supporting the poor; 4) the spendings for cultural, educational, scientific, and health undertakings total 582.52 million yuan, an increase of 20.5 percent over the previous year, which is higher than the increases in our municipality's revenue from regular items and in its expenditures. Of the sum, the spending for ordinary education is 249.38 million yuan, an increase of 22.8 percent over the previous year; 5) the administrative spending is 129 million yuan, an increase of 5.4 percent over the previous year, due chiefly to the fact that spending of administrative units which readjusted their wages and the business funds of public security and political and legal departments increased; 6) this year our municipality will issue 400 million yuan as nonstaple food price subsidies for residents, of which 156.37 million yuan will be issued from local revenues; and 7) the budget expenditures for tapping of potential and technical transformation of enterprises; simple construction; industrial, communications, and commercial operating expenses; urban youth employment; urban maintenance; pension and social relief funds; militia undertakings; and various [words indistinct] as for price subsidies, total 1,106,070,000 yuan, showing increases of varying degrees over the previous year.

The budget revenue this year was positive, and can be achieved as long as we overcome difficulties and maintain an appropriate growth rate in industrial production on the premise of improving economic results. Although the budget expenditure is rather strained, it can satisfy the needs of economic construction and other undertakings as long as we make meticulous calculation and rational arrangements, and strive to use our funds more effectively.

3. Strive For Fulfillment of the 1986 Financial Budget

This year is the first year of the Seventh 5-Year Plan for national economic and social development. Ensuring the sustained and stable increase in revenues is of great significance in realizing the balance between revenues and expenditures and in ensuring the development of the key construction projects and various other undertakings. To successfully complete the 1986 tasks for revenues and expenditures, we should pay attention to the work in the following fields:

1. We should vigorously increase production and practice economy, enhance economic results, and increase financial revenues.

The fundamental way out for solving financial problems lies in the development of production. Under the current situation of carrying out reform, opening to the outside world, and invigorating the economy, all our work should be aimed at opening up channels and expanding and fostering new financial sources.

This year we should strive to intensify the enterprises' self-renovation and self-development capacities through further expanding their decision-making powers and implementing various economic and financial policies. We should strive to lower production costs, economize on consumption, and enhance the enterprises' ability to digest and cope with the regulated prices and other unfavorable factors through fully tapping the internal potential of enterprises. We should also strive to enhance the various products' capacity to suit the market changes through readjusting product structure and industrial structure, and through developing new products. Various economic departments should concentrate their efforts on accelerating the capital construction projects and the pace of technical transformation, and improve the quality of construction in order to complete the construction of these projects and put them into production as early as possible. In distributing and utilizing foreign exchange, we should stress economization and rationalization, and should encourage enterprises to export more products and earn more foreign exchange. In supply and distribution of energy resources, raw materials, and funds, we should give priority to those enterprises that produce better-quality products, yield better economic results, and earn more foreign exchange through exports. All enterprises should work out ways to develop production, increase efficiency, practice economy, and oppose waste in order to fulfill the financial revenue task.

Realizing the balance between revenues and expenditures is a basic condition for the sound development of the national economy. Under the new situation of the financial structural reform, leaders at all levels and all departments should pay attention to revenues; should change the past traditional idea of the state monopoly regarding revenues, expenditures, and financial distribution; should firmly foster the new idea of deciding the expenditures in line with revenues; and should unify the thinking and pool the wisdom and efforts of the people in order to ensure a stable increase in the municipal financial revenues.

2. We should promote the financial and tax structural reform, and continue to invigorate enterprises.

Invigorating enterprises, large and medium-sized enterprises in particular, is the main task for this year's reform of financial and tax systems. While expanding the autonomy of enterprises, the state should again fix the rate of regulatory tax in line with the factors that affect the profits of enterprises, such as the new varieties of taxes collected in the past few years and the regulatory prices. We should attend to the work of reducing regulatory taxes for large and key enterprises in line with the stipulations of the State Council and the targets assigned by departments concerned. Among commercial enterprises, we should institute such management and operational forms as ownership by the state but management by collectives, and leasing trade and contract trade. In encouraging enterprises to increase exports and earn more foreign exchange, we should improve the methods for returning taxes to enterprises that produce export products. In tax collection, we should give preferential treatment to those enterprises that mainly produce products for export and earn handsome foreign exchange. In line with stipulations, we should implement an award system among enterprises that earn foreign exchange through export. In terms of the wage and price reforms, we should conscientiously sum up the experiences of some enterprises that integrate the total wage bill with economic efficiency, and should popularize, on a trial basis, the method of fixing the quota of the basic wage bill. We should reform the financial subsidy system and strictly control the subsidies to grain, cotton, edible oil, coal, meat, and eggs in order to reduce deficits and increase income. In strengthening the economic responsibility system, we should adopt policies to give awards for raw material and fuel conservation carried out by enterprises provided with necessary conditions, make the basic accounting unit smaller on a trial basis, and calculate bonuses on the basis of profits in order to boost the enthusiasm of staff members and workers. Through the implementation of the above-mentioned policies and measures, we should further invigorate enterprises, and facilitate the improvement of economic results throughout the society.

3. We should strengthen and improve macroeconomic control and pay attention to economizing on financial expenditures.

During the past few years, our municipality's expenditures for various purposes have increased in varying degrees following the improvement in the state's financial situation, but a major contradiction between demand and possibility still exists. Therefore, it is necessary to maintain a basic balance between the general supply and the general demand of society, and keep expenditures within the framework of the state plan and budget. First, the budget spending should guarantee the needs of key construction projects, and cultural, educational, scientific, and health undertakings, and the funds in support of agriculture should be appropriately increased. Second, management of plans should be improved. In addition to the annual plan, we should work out expenditure plans for various stages, and act according to the plans. When formulating plans for expenditures, all departments should make sure that the regular funds and the funds for the development of various undertakings of grassroots units are guaranteed. They should not withhold the funds at every level; still less should they purposely leave a breach. Third, the use of administrative funds and institutional purchasing power should be brought under strict control in the spirit of carrying out all undertakings through thrift and hard work, and tours, parties, and gifts using public funds should be strictly banned. Institutions which can also earn money should make proper arrangements for this, and should strive to achieve self-reliance in fund supply when conditions are ripe. Fourth, we should do a better job in the movement of funds, strengthen the control over extra-budgetary funds, fully tap the potential for fund supply, and use funds successfully and flexibly so that they can yield maximum returns.

4. We should strengthen financial management, and strictly enforce financial and economic discipline.

Financial management is the foundation of economic work, and urgently needs to be strengthened. We should conscientiously implement the "law of accounting," intensify the education on the socialist legal system, and strengthen regular financial supervision and management. [Word indistinct] better management foundation and fairly good systems should make their management work a regular system, and develop it toward standardization and systematization.

Units [word indistinct] poor foundation and chaotic management should step up establishing and improving the basic management system to gradually bring the management work onto the right track. We should plug up loopholes in policies and systems through investigations and handling of cases involving violations of financial and economic discipline.

All persons in charge of economic work, particularly party members and cadres, should abide by financial and economic discipline in an exemplary manner, bear in mind the interests of the party and the state, adhere to the socialist way of operation and management, and struggle against all erroneous acts in violation of financial and economic discipline and all economic criminal activities.

Our municipality's present economic situation is very good, but our work remains arduous if we are to fulfill this year's financial tasks. We believe that with the concerted efforts of the people throughout the municipality and conscientious work in increasing revenues and cutting expenditures, we can certainly fulfill this year's revenue and expenditure plan successfully.

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FOREIGN TRADE AND INVESTMENT

PAPER REPORTS ON MULTILATERAL TRADE TALKS

HK240718 Beijing GUOJI SHANGBAO in Chinese 15 May 86 p 3

[Article by Huang Jianping [7806 0494 1627]: "The New Round of Multilateral Trade Talks and the Farm Products Trade"]

[Text] Editor's note: Agricultural and sideline products occupy an important place as far as our country's foreign exchange earnings from exports are concerned. In 1985, of the mix of our export commodities, agricultural and sideline products made up 17.5 percent. Further expansion of the international market for agricultural products can not only enable our country to earn large amounts of foreign exchange, but can also help in consolidating and developing the results of our rural economic reform. The curtain is soon to rise on a new round of multilateral trade talks. We must keep a close watch on the outlook for trade in agricultural products. [end editor's note]

U.S. trade representative Clayton Yeutter pointed out in a recent article: In the new round of multilateral talks to be started this year, a main goal of the United States is to straighten out multilateral provisions for international trade in farm produce, so that agricultural trade can develop on a relatively favorable basis in various countries.

Actually, this stand on the part of the United States is a continuation of a countermeasure that it has upheld in multilateral trade talks for as long as 20-odd years. The United States has all along thought that despite equal attention given to the problem of tariffs on farm produce and industrial products in the first four rounds of General Agreement negotiations, since the EC abolition in 1961 of reduced tariffs on imported farm produce in a switchover to a variable import levy (an import duty equivalent to the difference between the world price and the import price based on the given import price for an imported product), the problem of reduced tariffs on farm produce has all along not been put on the official agenda of multilateral negotiations. It has been discussed only at the request or suggestion of a country concerned. In fact, no country wants to make such a request, because it is feared that this would cause other countries to make appropriate demands concerning other commodities. Thus, proper control cannot be exercised over agricultural trade in regard to quotas and tariffs, heavy subsidies, and non-tariff barriers. Conditions for world trade in farm produce have shown increasing deterioration.

The problem of world trade in farm produce is, in the final analysis, one of the domestic economic policy of various countries. Given the rate of population growth in developed countries far lower than the growth of agricultural productivity and a lack of elasticity in income from farm produce and in relevant supply, governments of various countries appropriate large sums of money every year to stabilize the prices of farm produce and the peasants' income. This policy of subsidization has further greatly stimulated the excessive growth of agricultural productivity, causing grain output greatly to exceed grain consumption and the level of supply far to outstrip the level of demand. For a long time, the United States has been an exporter of agricultural products. Its total volume of primary agricultural product exports has accounted for 17 percent of the world's total. The EC has also gradually changed from being an importer of agricultural products to a region with a surplus of agricultural products.

To counter this situation, the GATT Committee on Trade and Agriculture put forth a proposal urging various countries to combine their domestic economic policies with provisions for quota restrictions and for subsidies in the General Agreement. All domestic policies and measures that can produce an effect on world trade in agricultural products should be bound by relevant provisions in the General Agreement and subject to supervision and coordination from the General Agreement. Various countries have so far been slow in responding to this proposal. But the United States has assumed an optimistic attitude toward reform of the system of world trade in farm produce. The United States thinks that though various countries oppose free trade in farm produce, the program of providing tremendous sums for price supports has become a heavy financial burden on various countries. And this is the very crux of the problem. Therefore, to stimulate the development of the whole Western economy, there is the possibility of various countries finally reaching an overall agreement of a certain kind: On the one hand, domestic measures are taken to reduce agricultural production and stimulate the flow of agricultural resources into the industrial field. On the other hand, relevant provisions are revised through multilateral negotiations, and various tariff and non-tariff barriers in current world trade in farm produce are broken down to put trade in farm produce on the path to free trade.

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FOREIGN TRADE AND INVESTMENT

HEILONGJIANG SEEKS FOREIGN COOPERATION IN DEVELOPING ECONOMY

Beijing PEOPLE'S DAILY OVERSEAS EDITION in Chinese 29 Oct 85 p 3

[Article by Li Huimin [2621 1920 3046] and Wang Baozin [3769 1405 2946]: "Face the Nation and Face The World; Heilongjiang Opens Province Door To Expand Multifaceted, Multistyle Economic and Technical Cooperation"]

[Text] The government of Heilongjiang recently summed up the task of revitalizing domestic life and opening up toward the world: Face the nation and the world and cooperatively develop various styles, ways, levels, and locations of economic and technical exchange.

The northerly located Heilongjiang is rich in resources, has adequate transportation and shipping, a solid industrial and agricultural base and a vast market potential. In essence, it is an excellent environment for technical and economic cooperation. In recent years, the province has established economic and trade connections with more than 1,700 clients from more than 100 nations and areas; it has also signed more than 220 project agreements with foreigners for the development of new industries as well as the expansion and technical transformation of older enterprises. These projects have a total value of $300 million and more than 370 foreign technological items have been introduced into China.

Provincial Secretary Hou Jie [0186 2212] says that while economic and technical cooperation with foreigners has had a measure of success, it is still insufficient, the areas below should be the subject of vigorous and extensive cooperation.

The energy and transportation industries must be developed. The five largest river systems in the province--the Heilong, the Niaosuli, the Songhua, the Nen and the Suifen have been approved for the construction of 270 large, medium and small hydroelectric stations with a holding capacity of 6.12 ?mW (billion watts). Coal reserves hold an important place nationally. These resources can be utilized. Hydroelectric plants must be cooperatively developed; coal must be mined and processed chemically for use in large and medium-sized cities as coal gas and as a heat supply for engineering. Electric plants as well as other projects must be developed. As to transportation and shipping, railroads supplied by local energy can be cooperatively constructed as can railroads between coastal cities and the interior. Also, Harbin's international airport should be taken advantage of in setting up a cooperative, international air cargo service.

The mineral industry should be developed. Investigation has shown that there are more than 50 kinds of mineral resources in the province. Among them are energy resources like oil, coal, and shale oil; dark metals, such as iron, titanium, and manganese; colored minerals, such as copper, lead, gold, silver, and zinc, as well as minerals for the chemical industry, such as phosphorus, mirabilite, and lye. Other mineral resources include limestone, marble, graphite, mica, and (prezoelectric) crystal. Various mining, smelting, processing, and integrated-utilization projects can be cooperatively developed.

The processing industry for agricultural byproducts should be expanded. In Heilongjiang there are now more than 130 million mu under cultivation. The world has seldom seen such black soil. Wheat, corn, soybeans, cereals, potatoes, and other food items are produced in abundance, as are other basic commodities, such as vegetable oil, sugar beet, tobacco, and flax. Heilongjiang has more than 4 million mu of reed ponds, more than anywhere else in China. There are more than ?30 (3 million) head of sheep and goats with annual wool production in excess of (10,000) tons. This preponderance of resources can be brought to bear economically in various and sundry processed items, such as food oils, animal feed, ?refined (process) sugar, paper, and wool and hemp fibers.

The food industry must be developed. Heilongjiang has 13 counties that are either entirely devoted to animal husbandry or one-half agriculture and one-half animal husbandry. Heilongjiang leads the nation in total head of cattle and fresh milk production. In the greater and smaller Xingan mountain ranges of the north and northwest and in the mountainous region of southeastern Heilongjiang, (woodear), mushrooms, pine trees, grapes, roses, the (Micacus monkey peach) and other special food items grow abundantly. Food, starch, dairy products, brewing and beverage industries are thus waiting to be developed.

Finally, older enterprises must be technologically transformed. At present there are more than (15,000) industrial enterprises in Heilongjiang; among these are more than 280 large-scale enterprises. In the near future, more than 100 large and medium-sized enterprises will be upgraded and a number of small-scale enterprises will proceed to improve both quality and efficiency. These transformation projects require financial, technical, material, and human cooperation.

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BRIEFS

FISHING TRAWLERS IN IRANIAN PORT--Tehran, May 28 (XINHUA)--Four Chinese trawlers arrived in the Iranian port of 'Abbas today after 26 days of voyage. The trawlers came to the Iranian port under an agreement signed between the fishing organizations of the two countries for fishing operations in Iranian waters in the Oman Sea. The catch of the Chinese trawlers will be sold to Iran at the prices both sides agreed, while Iran will provide free logistic support to the Chinese trawlers. This is the first project of Sino-Iranian economic cooperation after the 1979 Islamic revolution of Iran. [Text] [Beijing XINHUA in English 0001 GMT 29 May 86 OW] /12712

FINNISH LOAN TO CHINA--According to a report from Finland (NEW FINLAND NEWS), the Finnish Government has formally decided to extend a development loan to China worth 50 million markka. Concrete consultations on this subject will begin in October. This will be the first loan Finland has extended to China. The report said that "soft loans being in short supply, Finland's export sector cannot compete with other Western nations." "Finland intends to apply an integrated loan method to improve its export competitiveness in both the China and Indonesia market." As the report points out, "Seldom is Finland's development aid in the form of a development loan. This is the first time a development loan has been tied to commercial credit. This integrated loan approach to be offered Indonesia and China is a means to support Finland's exports." It has been reported that conditions for the Finland development loan are as follows: the yearly interest rate will be 0.75 percent and it will be repaid over a 25-year period (with an extendable deadline of 7 years). In combination with the export credit, the development loan should be about 35 percent of the total loan, and cannot be less than 20 percent. This loan is good for such Finnish specialties as forest and paper products, smelting, dairy products, hydroelectric power development, and harbor construction, etc. This loan will be administered by the International Development Agency of Finland's Foreign Affairs Ministry. [Text] [Beijing GUOJI SHANGBAO in Chinese 9 Sep 85 p 1] 13030/9435

CSO: 4006/352

XIAMEN SPECIAL ZONE CONTINUES TO OPEN DOOR

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 29 Oct 86 p 1

[Article by Guo Longchun [6753 7893 2504] and reported by Xiamen DAILY NEWS reporter Yan Zhiqiang [7346 2535 1730]: "Xiamen's Special Zone Further Implements Open Door Policy; Products Can Be Exported from Self-Managed Special Zone and Necessary Commodities Can Be Imported; Duty-Free, Entrepot and Transit Trade Service To Be Started']

[Text] October of this year was the fifth anniversary of the creation of the Xiamen SEZ. Not long ago the State Council replied in writing to the Fujian People's Government (concerning the examination of Xiamen's SEZ implementation plan) and approved a further opening of Xiamen's SEZ. Xiamen's vice mayor Jiang Ping [3068 1627] recently told reporters that in the last 5 years a good foundation was laid for Xiamen's SEZ. The State Council wants the development of Xiamen's SEZ to pick up the pace and enter a new era.

Since the creation of Xiamen's SEZ, at the Huli Industrial Park the five aspects of infrastructure and site leveling have been completed (electricity, water, air, roads, and telecommunications), a new international airport has been constructed, four 10,000- and 50,000-ton port berths have been built and a modern communications system has been set up. The opening step has been taken in creating a favorable investment climate for foreign businessmen. Up until the end of September this year, 271 formal agreements had been signed for joint investment, joint management, and individual foreign investment ventures. Total foreign investment is worth $600 million.

Vice Mayor Jiang also announced that the State Council has approved the expansion of the SEZ from the original 2.5 square KM of the Huli area to all of Xiamen Island as well as all of Gulang Island. At the same time, Xiamen's SEZ will be altered from its original status as an export and industrial park into a SEZ geared toward the outside world, with industry as the core as well as travel, commercial, and real estate sectors under integrated management. In this way, the extent of foreign investment can be broadened. Within the 131 square km of Xiamen and Qulang they can engage in industry, commerce, travel, real estate, and many other concerns that are well worth the effort.

Among new policies that the State Council approved for Xiamen's SEZ is its gradual evolution into a free port. Under the unified national trade policies, Xiamen's special zone status allows self-management regarding the import of needed commodities and export of domestic goods, the development of transit and entrepot trade services and with the exception of integrated management enterprises, the acceptance of commissions from domestic enterprises to provide services for commodity import and export.

Vice Mayor Jiang said that a duty-free entrepot is an important policy of an international free port. Outside of weapons and poisonous substances, Xiamen SEZ now permits foreign products to be stored in certain areas, processed, packed, labeled and reshipped for export. None of these commodities will be subject to customs, or to import or value-added taxation. This will generate interest among foreign businessmen.

Regarding finances, Xiamen will be able to establish a financial structure in accordance with national regulations: Special banks are permitted to deal in foreign currencies within the area and free deposit and withdrawal are guaranteed. The State Council has approved the right to borrow money and issue bonds overseas, sell stock, raise funds for development and set up services for public bond administration and over-the-counter stock transactions. Foreign banks are permitted to open for business in these special zones. This year the Xiamen Chinese-Foreign Joint Capital International Bank opened for business and the Singapore Dahua Bank has already received approval to set up a branch in Xiamen.

Asked by reporters how the Xiamen People's Government can implement the State Council's plan, Jiang Ping replied that a diligent effort must be made to establish foreign capital as the principal source of funding. Modern industry must be the linchpin of the production structure and export goods must be the core of an externally oriented economy. Those projects that can create foreign exchange must have priority and funds must be used effectively. Finally, various means for the accumulation of foreign reserves must be created including travel, entrepot trade, labor exportation and industrial processing.

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XIAMEN BEGINS WORK ON SECOND STAGE INFRASTRUCTURE

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 18 Nov 85 p 1

[Article reported by Shi Zhengyao [2457 1513 1031] and Wang Qiahang [3769 1874 3801]: "Accelerate Establishment of Special Zones and Improve the Investment Climate; Xiamen Begins Work on Second-Stage Infrastructure]

[Text] The man in charge of capital construction for Xiamen told reporters today that work on second-stage infrastructure in the Xiamen SEZ has already begun. Important engineering projects involve water supplies, energy, telecommunications, shipping and transportation.

These projects will be completed between 1986 and 1990.

Since the Xiamen SEZ was established in 1980, more than 600 million RMB have been invested in completing first-stage infrastructure projects. This has improved the investment climate of Xiamen's SEZ, but judging from the situation in the zone, it is still unsatisfactory.

Among second-stage infrastructure projects, Xiamen is planning a 600,000 kW thermal power plant. At present the electrical circuitry for the entire city is being revamped.

To start the second stage of constructing the Dong Du port, five deepwater berths are being built. When the project is completed Xiamen harbor's yearly handling capacity will increase from 2 million tons to more than 10 million tons.

Xiamen can now furnish 130,000 tons of water daily, which meets basic needs. By 1990, it is expected that water use will increase to more than 300,000 tons daily. Consequently, Xiamen is starting a project designed to bring water from the mainland to the island and act as a new water source.

Other construction projects include: A six-lane highway that crosses the ocean and joins Xiamen to the mainland, expansion of Xiamen's international airport which will open up new international air routes and the accelerated electrification of the Xiamen-Yingtan Railway.

As to telecommunications facilities, Xiamen will import 20,000 programmed telephones.

13030/9435
CSO: 4006/352

BRIEFS

INTERNATIONAL AIRPORT FOR SHENZHEN SEZ--Shenzhen, June 3 (XINHUA)--Work is expected to start on an international airport at the Shenzhen Special Economic Zone later this year following the presentation to local authorities today of a feasibility study. The airport will be built 30 kilometers from the center of the southern Chinese city. The first stage of construction, which will cost an estimated 210 million yuan, is likely to be completed by 1989, said a city official attending today's presentation ceremony. This first stage will include a 2,800-meter-long runway, which aircraft such as Boeing 737s and Tridents will be able to use. It is estimated that the airport will be used by 1,200,000 passengers and will handle 50,000 tons of cargo a year. Eventually, the airport will be enlarged for use by jumbo jets, and its annual handling capacity will increase to five million passengers and 200,000 tons of cargo. The feasibility study was prepared by a joint United States firm of consultants comprising Parsons International and Lockheed Air Terminal, which was chosen by local authorities and aviation officials from bids by more than 60 foreign companies. The study was financed by the U.S. Trade and Development Program. [Text] [Beijing XINHUA in English 1505 GMT 3 Jun 86 OW] /12712

CSO: 4020/342

HEBEI'S XING CHONGZHI ATTENDS MODEL LABORERS GATHERING

SK060826 Shijiazhuang HEBEI RIBAO in Chinese 22 May 86 p 1

[Excerpts] On the morning of 21 May, the Hebei Provincial Conference of representatives of the advanced units and individuals was ceremoniously opened in Shijiazhuang City.

Attending the conference were 256 labor models and the representatives of 59 advanced units and collectives, including those of veteran models who had scored marked achievements during the past several years in arduously conducting pioneering work and working hard for the program of building the four modernizations, and those of model workers who had emerged during the period since the 12th CPC Congress in ideological and political work, in the drive to conduct technical renovations, and in production, services, and educational work. Also attending the conference as special invited representatives were 41 provincial labor models who had won the national "MayDay" medal, the combat heroes of the PLA units, and the dependents of staff members and workers.

Attending today's conference and seated at the front of the rostrum of the conference were leading comrades from the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial People's Government, and the provincial CPPCC Committee, including Xing Chongzhi, Xie Feng, Li Wenshan, Yang Zejiang, Zhang Chao, Ye Liansong, Lu Chuanzan, Qu Weizhen, Zhang Runshen, Song Shuhua, Wang Yu, and Xu Chunxing, and responsible comrades from the provincial trade union council and the provincial women's federation.

Zhang Fuyou, member of the secretariat under the All-China Federation of Trade Unions, attended the conference and delivered a speech.

Ye Liansong, standing committee member of the provincial CPC Committee and vice governor of the province, presided over the opening ceremony of the conference, at which Xie Feng, deputy secretary of the provincial CPC Committee and governor of the province, delivered a speech.

In the period since 1982, the conference is another grand meeting attended by the models from various social circles throughout the province. The conference can also be regarded as an experience-exchange meeting in which the participants can learn from each other and from others' strong points to offset their weaknesses, and as an oath-taking meeting for making contributions to fulfilling the Seventh 5-Year Plan by working together for a splendid future, upholding the principle of conducting reforms, pioneering roads of advance, and whipping up an enthusiastic upsurge in the socialist emulation drive. Prior to the conference, localities across the province elected 504 provincial-level labor models and 120 advanced units and collectives. During the conference, representatives will extensively exchange their experience and adopt a letter of proposals. The provincial People's Government will make a decision to commend the advanced and to confer prizes on them.

/9738
CSO: 4006/1082

LABOR AND WAGES

BRIEFS

CHINESE LABORERS ABROAD--Beijing June 5 (XINHUA)--China has signed more than five billion U.S. dollars of contracts to provide labor service abroad. There are now 59,000 Chinese technicians and workers working on construction projects in foreign countries and regions. [Excerpts] [Beijing XINHUA in English 0542 GMT 5 Jun 86 OW] /12712

CSO: 4020/343

AGING OF CHINESE POPULATION ANALYZED

Beijing RENKOU YANJIU [POPULATION RESEARCH] in Chinese No 6, 29 Nov 85 pp 28-30

[Article by Xu Qin [1776 0530], National Commission on Aging: "Analysis of the Aging Process and Characteristics of China's Population"]

[Text] The aging trend of China's population has received widespread attention. However, judging from what has been published there are several different predictions on the aging of China's population. (See Table 1) Differences in the forecasting method used produces similar figures for the year 2000 but a very great difference for the year 2040.

Forecasts of aging trends in the population depend upon predictions of the elderly population and of the general population. The elderly of the next 60 years are already born and the size of the elderly population in the future will be determined entirely by the death rate. Unavoidable differences in prediction arise from different estimates of what the death rate will be in the future. These differences are explained below through predictions according to two different scenarios based on data from the 1982 Chinese census. (See Table 2)

Table 1. Predictions of the Chinese Population over Age 65 in the Years 2000 and 2040

Year	2000		2040	
Forecaster	Pop. in 100 Millions	Percent of Total	Pop. in 100 Millions	Percent of Total
Tian Xueyuan	0.91	7.5	2.3	20.2
Song Jiandeng	0.94	8.3	4.0	34.8
Cheng Yuqin	0.95	7.6	4.0	25.8
Xiao Zhenyu	0.88	7	--	--

(Footnote 1) (Tian Xueyuan [3944 7185 3293], "On Changes in the Age Structure of the Population and Selections Population Planning Programs," TFR=1.5; Song Jiandeng and others [1345 0256 4583], "Population Forecast and Population Control," TFR=1.5; Cheng Yuqin [4453 3768 3830], "The Present and Future of China's Population," TFR=2.0; Xiao Zhenyu [5135 2182 4416].

Table 2. Predictions Using Different Death Rate Scenarios and Their Results

			1982	2000	2040
Scenario A	Life Expectancy (years)	Males	66.3	71.7	71.7
		Females	69.4	74.4	74.7
	Over 65 Population (millions)		49	96	295
Scenario B	Life Expectancy (years)	Males	66.3	71.7	78.3
		Females	69.4	74.7	80.4
	Over 65 Population (millions)		49	96	392

In scenario A, the death rate stays constant between 2000 and 2040. In scenario B, the death rate declines steadily resulting in nearly 100 million more elderly in the population in 2040, nearly one-third more than in scenario A. This difference of 100 million demonstrates the great importance of selecting the death rate parameter in predicting the elderly population.

Predicting the size of the total population is different from predicting the size of the elderly population because not only the death rate but also the birth rate must be taken into account. (See Table 3)

Table 3. (A) Different Fertility Programs (TFR)

Year	1982	2000	2040
Scenario C	2.6	2.1	2.1
Scenario D	2.6	1.5	1.5

Note: See previous table for death rate (here, life expectancy) scenario

Table 4. Predictions of the Percentage of the Population Above Age 65 in 2040

Scenario	AC	AD	BC	BD
Total Population (millions)	15.73	12.33	16.95	13.50
Percentage of the Population over Age 65	18.8	24.0	23.1	29.1

Differences between scenarios for 2040 amount to 462 million in the general population and 10.3 percent in the proportion of elderly people in the population, for which predictions run between 29.1 and 18.8 percent. Obviously the selection of the fertility and death rate parameters is extremely important in making predictions on the elderly population. Therefore the results of any prediction are valid only under certain conditions and contain a large element of guesswork. Nonetheless, the various predictions on China's elderly population agree fundamentally on the overall aging trend of China's population. Currently many demographers are making predictions on the future aging trends in China's population. They select different parameters and obtain different predictions. Here the more plausible predictions are analyzed. (See Table 5)

Table 5. Several Predictions on the Aging Trend of China's Population (2)

Forecaster	2000		2025		2040	
	65+ (millions)	Percent of Pop.	65+ (mil.)	Percent of Pop.	65+ (mil.)	Percent of Pop.
Song Jiandeng (1)	94	7.8	221	15.4	400	26.4
Cheng Yuqin (2)	95	7.6	--	13.6 (2020)	400	25.4
National Commission on Aging (3)	93	7.3	208	13.8	340	22.0

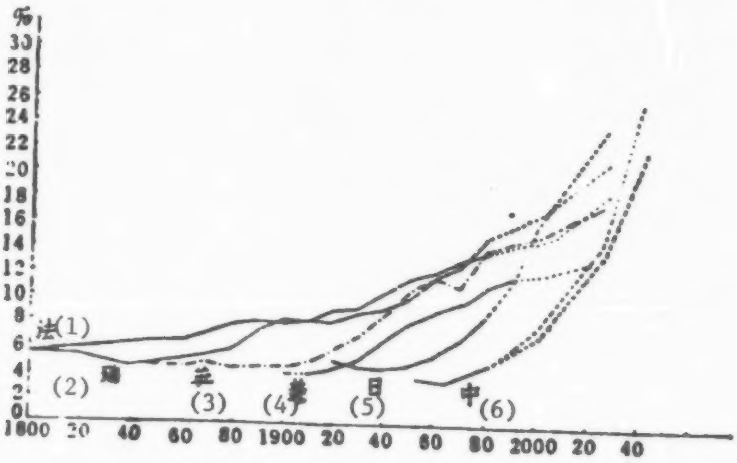
(Footnote 2)

(1) "Population Forecast and Population Control" p. 181.
(2) "The Present and Future of China's Population," Science and Technology Reference Data Vol. 723
(3) The 1984's Calculation by the State Commission on Aging Problems

The population aging process of the next 60 years can be divided into three stages. The first stage extends from 1982 to 2000. At the end of this century the proportion of people over age 65 in China's population will exceed 7 percent and China will begin to become an elderly society. The proportion of elderly in the population increases steadily in the second stage, extending from 2000 to 2025, until it reaches 13 to 15 percent in the year 2025. The increase from 7 percent to approximately 14 percent took Sweden 85 years but will take China just 25 years. During the third stage, extending from 2025 to 2040, the proportion of elderly in the population will increase from 13 to 15 percent (the highest level in the world in 1980) to 22 to 26 percent (which will equal the highest level in the world in 2025). (Footnote 3) (Kuroda Yoshio: "Japan's Population," p 10) Today there is one elderly person over age 65 among every 20 people in China: in 2040 it is estimated that there will be one elderly person among every 4 or 5 people. Then as the proportion of elderly people in China's population increases the population aging process in the advanced countries will be reversing itself and the proportion of elderly people in their populations will gradually decline from a peak to its proportion in a static population. Considering the aging trend of the population, this third stage will be the most difficult one. The characteristics of the third stage of the aging process of China's population is gradual growth and then acceleration to a peak. During the first stage the degree of aging will not be very great and problems will not be serious. However, if we are not aware of the trend of development of the latter two stages, and especially the severity of the third stage, the relative stability of the first stage may lull us into not paying the attention we should to the future acceleration of the aging process of the population. Therefore, we must begin to conscientiously study the aging process of China's population. In comparison with the developed countries, the aging process of China's population has its specific features. It has high aging rate and degree. It is characterized by the rapid growth of absolute quantity and relative proportion.

First, the elderly population is growing rapidly. If the population develops according to the above scenario, by the year 2000 there will be 90 million

Figure: China, Japan, Sweden, France, United Kingdom, and United States Curves Showing the Proportional of Elderly People in the General Population



KEY: (1) France
(2) Sweden
(3) United Kingdom
(4) United States
(5) Japan
(6) China

Chinese over age 65, double the number in 1982. In 2040, the elderly population will approach 400 million, having quadrupled in 40 years. Over the next 58 years, the elderly population will grow at an annual rate of 3 percent annually. No developed country except Japan has such a rapid rate of increase in its elderly population. Although in 1980 the proportion of Sweden's population over age 65 reached 15 percent, the highest proportion in the world, the rate of increase of the proportion of the elderly in the population exceeded 3 percent annually only for one decade (1880 to 1890). (Footnote 4) (Calculated according to "European Historical Statistics") The annual growth rate of Japan's elderly population exceeds 3 percent for just 25 years (1964 to 1984 and 1995 to 2000). (Footnote 5) (According to calculations in "Trends in 21st Century Japan" and "Population Structure." Chinese data calculated for this article)

In the future, the overall population growth rate will gradually decrease. Population growth around 2040 is predicted to be less than 0.5 percent annually. Over the next 60 years overall population growth in China will gradually decrease as the elderly population continues to grow rapidly. Therefore China's population growth problem of the 1950's and 1960's will gradually change into a problem of the age structure of the population.

Second, the proportion of elderly people in the general population is growing rapidly. From the curves below we can see that the rate of aging of China's population is similar to Japan's, although China lags a generation behind, and it is much faster than any other developed country.

The rapid change in China's population reproduction type causes the Chinese population to age. If we compare China with Sweden and Japan we can easily see that the speed of the decline of mortality and fertility in China not only exceeds that of 19th century Sweden when it became an elderly population type country but also far exceeds that of the developed country which is changing its population type the most rapidly--Japan. (See Table 6)

Table 6. Comparison of Changes in the Birth and Death Rates of China, Japan and Sweden

	China		Japan		Sweden	
Birth rate (percent)	3.411	2.109	3.41	2.15	3.45	2.22
Corresponding period 1969	1969	1982	1928	1953	1800-29	1910-19
Length of decline (Yrs)	13		25		90	
Gross fertility	4.98	2.63	3.56	2.72		
Corresponding period	1972	1981	1950	1970		
Length of decline (Yrs)	5		20			
Life expectancy (Yrs)	44.6	67.88	44.82	67.67	45.2	64.6
Corresponding period	1951*	1981	1926-30	1964	1880	1964
Length of rise (Yrs)	31		36		60	

*Shanghai data

(Footnote 6) (For China, birth rate: "China Statistical Handbook 1983," p 105; gross fertility: "Analysis of the National 1/1000th Fertility Sampling Survey," pp 49-50: life expectancy: Zou Yiren [6760 0181 0088]. "Research on Changes in the Population of Old Shanghai," p 139; for 1981 figures see "People's Daily," 25 March 1984. For Japan, birth rate: Ozu Hiroshi: "Theory of Population Economics," p 191; gross fertility: Shen Yimin [3088 4135 3046] "World Censuses of the Last 30 Years and Population," p 548; life expectancy: "Trends in 21st Century Japan," p 108. For Sweden, birth rate: "European Historical Statistics," pp 80-100; life expectancy: same as Footnote 5, p 133.

The decline in fertility is the decisive factor in the aging of the population although we cannot ignore the role of the decline in mortality. In 1981, China's gross fertility reached the relatively low level of 2.63 which is still higher than the 2.0 of the developed countries. (Footnote 7) (American Demographic Data Company: "Data Cards on 1980 World Population") In the future, fertility will continue to decline but will not have any more very large decreases. With improvements in the standard of living of the people, the urbanization of the population, and improvements in medicine and sanitation there is great potential for declines in mortality. It is entirely possible that average life expectancy will increase by 10 years in the next half century. We should be alert in the future to the influence which declines in mortality, and especially mortality in the elderly age cohorts, will have on the aging of China's population.

Although China is not yet a developed country, it is comparable to Japan in the aging of its population, lagging only by 10 to 15 years. In order to endure the pressure of having the world's most elderly population, in the future we must struggle to reduce the gap in economic development separating us from the advanced countries to 20 years. Undoubtedly a very great problem confronts us.

12369/9435
CSO: 4006/871

TRANSPORTATION

XINJIANG EXPANDS LAND, AIR TRANSPORT NETWORK

OW261128 Beijing XINHUA in English 1111 GMT 26 May 86

[Text] Urumqi, May 26 (XINHUA)--To improve its economy and attract foreign investment, northwest China's Xinjiang Uygur autonomous region has been building railroads and highways and expanding its air traffic, a regional official said here today.

Construction began last year on the 240-kilometer railroad between the regional capital of Urumqi and the city of Usu. After that route is finished, the railroad will be extended west to the Sino-Soviet border at Alataw Pass, said Zhang Sixue, deputy secretary of the regional committee of the Chinese Communist Party.

At the pass, he said, the railroad will be linked with a Soviet line--opening up new possibilities for Asian and Near Eastern trade. Until then, although Xinjiang borders the Soviet Union, the nearest rail link will continue to be 2,000 kilometers away in inner Mongolia.

The region is upgrading narrow and often unpaved winding roads linking Kashi City to Kunjirap, an outlet at the Sino-Pakistani border and to Tuerdat at the Sino-Soviet border.

Xinjiang began flying live sheep to the Middle East earlier in the decade, and it will soon begin flying fresh fruits and vegetables.

Later this month, the Urumqi Airport will begin offering international passenger service to Addis Ababa.

Between 1980 and the end of last month, Xinjiang concluded 28 foreign investment agreements, Zhang said.

Of these, 22 ventures involving 110 million U.S. dollars and investors from 21 countries and regions are active.

/12712
CSO: 4020/343

COMMENTARY EXAMINES STATUS OF MACAO'S ECONOMY

HK050747 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0337 GMT 4 Jun 86

[Short Commentary by Zhong Zhengxiang [6988 1794 4392]: "Macao Economy Is Developing Toward Diversification"]

[Text] Hong Kong, 4 Jun (ZHONGGUO XINWEN SHE)--In the past, Macao, a city known as the "Monte Carlo of the East" gave people the impression that it was a very small city existing due to gambling. Now, as its exports manufacturing industry has developed quickly, there has been an initial change in its image as a "casino city." It has gradually established a diversified economic structure consisting of an export-oriented manufacturing industry, tourism (including gambling), the construction and properties industry, and financial undertakings.

Macao's economy has developed very quickly. According to the statistics provided by the UN World Economic Cooperation and Development Organization, in the 10 years from 1971-1981, Macao's GNP rose by an average annual rate of 16.7 percent (Hong Kong's GNP rose by an average annual rate of 10.4 percent in the same period). It was thus one of the areas with the highest economic growth rates in the world. Over the past few years, it has maintained its high economic growth rate. The growth rates for 1983 and 1984 were respectively 10 and 9 percent. In 1984, its per capita GNP reached $3,800. Despite the influence of the slowing down of the Western economy, its GNP still rose by 4 percent last year.

Macao's export-oriented manufacturing industry is the major sector that has contributed to Macao's economic development. During the 1950's, it had only some handicraft industries that produced matches, crackers, and incense. According to statistics, in 1957 there were 107 handicraft industrial enterprises in Macao, which employed over 14,000 workers and which turned out only a total annual industrial output value of 26 million or so patacas, a pataca is pegged to a Hong Kong dollar, but is 3 percent lower in value than Hong Kong dollar). Now there are over 1,300 factories in Macao, which exported manufactured goods worth more than 7.3 billion patacas in 1984. Last year Macao's exports of manufactured goods dropped a little but were still worth more than 7.1 patacas.

Macao's industrial production is diversifying. In the 1970's, only textile and clothing industries developed prosperously in Macao. Macao's toy, artificial silk flower, and electronics industries have risen. As a result, the proportion of exports of clothing and textiles in its total volume of exports dropped from 88.5 percent (in 1977) to about 70 percent. It has also gradually expanded its export market. It has been developing exports to the Chinese mainland, Japan, Eastern Europe, Southeast Asia, and other areas in addition to the EEC, the United States, and Hong Kong.

In Macao's current economic structure, the export-oriented manufacturing industry has become a major sector producing about 40 percent of Macao's GNP. Its tourism sector (including gambling) contributes 25 percent of its GNP. The fall in the percentage of tourism and gambling in Macao's economy to second place does not mean a depression in these areas. As a matter of fact, the number of tourists has risen year by year. In 1964, there were just over 500,000 tourists visiting Macao, but there were more than 4 million tourists in each of the past 4 years. Gambling is the main sector of Macao's tourism industry and the most important factor that attracts tourists. Its gambling sector began to develop in the Daoguang and Xianfeng reigns of the Qing Dynasty. It already has a history of over 100 years. Gambling is an undertaking that Macao is specialized in and is a characteristic of Macao's economy. The several casinos there now earn over 2 billion patacas in income a year, accounting for over 20 percent of its annual GNP. Gambling tax is one of the Macao Government's major financial sources. Over the past 2 years the Macao Tourism and Entertainment Company has paid about 450 million patacas on average a year, which accounts for more than 50 percent of the government's tax revenue. The gambling sector has boosted the development of hotels, catering, and shipping between Hong Kong and Macao. It provides jobs for nearly 10,000 people (accounting for 1/16 of Macao's employed population). Macao's economy today still cannot be freed from its dependence on its gambling industry, which will continue to exist for a long time in the future.

The construction and properties industry is the third major pillar of Macao's economy, contributing 8 percent of its GNP. Over the past few years, it has dropped from its peak, but since the latter half of 1984, it has begun to regain its impetus. Last year its growth rate reached 11 percent, the highest among all trades. This year, the utilization of the capacity of this industry and the number of construction sites are both greater than those last year. However, there are still many industrial, commercial, and residential sites idle now.

Macao's financial undertakings have also developed quickly. In 1983, nine foreign capital banks began to operate in Macao. This pushed up the number of banks in Macao to 23. According to the statistics at the end of last September in bank deposits in Macao totalled 15,170 million patacas or so and bank loans totalled over 10,990 million patacas. The ratio of bank deposits to bank loans was 72.5 percent.

Macao's economy is of the sea-island type. It lacks resources and raw materials and relies much on the outside world. For a period in the past, there was relatively great development in its industry, but almost all its industry is small-scale labor-intensive processing industry and most of the products are of medium or low grades. Much of its production equipment is at the level of the 1960's and 1970's. It lacks its own product design and development departments and its workers' level of skill and knowledge is a little too low. More than 90 percent of the medium and high-level technical and management personnel have come from Hong Kong. According to factory owners' estimates, about 90 percent of factories lack manpower. The four major industries--clothing, toys, artificial silk flowers, and electronics--all find it difficult to obtain skilled labor and turnover is very high. The employees there think that their wages are too low.

However, Macao is an export-oriented area with a certain economic foundation. It has widespread international relations and conducts economic contacts and trade with over 100 countries and areas. It has become a contracting party to the "General Agreement on Tariffs and Trade," and is a subordinate organization for the "Multifiber Arrangement." It is benefitted by the "General Preferential Tariff Agreement," and more than 2,700 of its products enjoy EEC "preferential tariff" treatment. Macao is a free port with low tax rate, wage, and factory rent. In addition, it is provided with export quotas. Therefore, it has fairly great attraction to draw in investment by foreign and Hong Kong businessmen. As a matter of fact, a crucial reason why Macao's industry developed so quickly in the past was that owing to the restriction of export quotas, Hong Kong businessmen vied with one another in making investment and setting up factories in Macao. At present, over 60 percent of Macao's industrial capital is Hong Kong capital. Macao is also the third biggest market for Hong Kong's exports. The Chinese mainland is a backing for Macao. Over the past few years, the mainland's annual volume of exports to Macao amounted to about $300 million. Macao gets its drinking water and part of its electricity from the mainland. The implementation of the open policy in the mainland is yielding an increasingly great impact on Macao's economic development and on maintaining Macao's free port status. The development of the Zhuhai Special Economic Zone near Macao also boosts Macao's economic development. Macao has already become a bridge for economic exchange between China and other countries. Because of the above factors and role, and because of Macao's own economic capacity, we can expect that after the Macao issue is solved, its economy will achieve long-term steady development.

/12712
CSO: 4006/1076

PROVINCIAL VARIATION OF URBANIZATION IN CHINA

Beijing DILI XUEBAO [ACTA GEOGRAPHICA SINICA] in Chinese and English Vol 41, No 1, Mar 86 pp 8-21

[Text] China's cities belong to the clustered pattern, examining them by Kolmogorov-Aminov formula and the Lorenz curve. The highest density of cities and towns has happened in Shanghai municipality: 56.77 cities and towns per 10,000 km^2. Zheijiang and Jiangsu Provinces occupy second and third places, according to the density of urban settlements: 17.06 and 11.67 cities and towns per 10,000 km^2 respectively. The lowest density indexes of cities and towns are found in Xizang Autonomous Region and Qinghai: 0.08 and 0.12 respectively, the density of cities and towns is regularly reducing from East to West in China. The provincial variation of the density of cities and towns can be explained by the recession analysis of the density of cities and towns. A multiple correlation coefficient is 0.96, which was found by multiple regression analysis of the density of urban settlements with the gross industrial and agricultural output value, per capita industrial output, the index of the railway length, per rural person grain output, and population density as independent variables. These five variables can explain 92% of the provincial variation of the density of urban settlements.

Because the urbanization is measured by the proportion of urban population to the Provincial total ones, the urbanization level of these provinces with concentration of urban settlements and urban population seems to be not so high. Most

of the relatively high urbanized provinces and autonomous regions are located in Northeast, North and Northwest China, while the provinces with moderate and lower urbanization level are found in the East, Central and South provinces. Variables of population density, size of area, and industrial-agricultural output ratio, per capita industrial output, per capita agricultural output, per capita total production output can be used a for reflection of provinces' population and economic characteristics respectively. Two factors are identified by factor analysis with varimax rotation. The first factor is industrialization that measures the levels of industrialization and productivity and the second factor-ispopulation density that reflects the general population distribution characteristics of a province or an autonomous region. As these two factors are orthogonal each other, it suggests that there is not direct relationship between the industrialization level with population size or density in every province or aut. region. A multiple correlation coefficient of 0.863 has been obtained by multiple regression analysis between urbanization level with the factor scores of industrialization level and population density as independent variables. These two factors could explain 74.5% of the provincial variation of urbanization level. The urbanization level of a province or an autonomous region is related positively with industrialization level but negatively with population density. The industrial distribution policy encourages urbanization for the less densely populated Northeast, North and Northwest provinces and autonomous regions. To a certain extent, the control of urban population discourages urbanization for the densely populated East.

There is big variation in the primacy index of the provinces in China. It ranges from 1,009 in Auhui to 10.23 in Qinghai (in 1982). The provinces and autonomous regions with high primacy index are mainly concentrated in the Northwest and Southwest regions of China, except Guangdong an Hubei provinces. The indexes of provinces and aut. regions in West China have increased since liberation, but in recent years, they have begun to fall in some provinces and autonomous regions. Most of the Northeast, East, North, and Central South provinces have moderate or low primacy indexes, which have declined since liberation. The provincial variation of the urban primacy index may be explained by the urban development history, the development potential of the primacy city in provinces, the national industrial distribution policy and different stages of the economic development of provinces and autonomous regions.

In recent years, due to practising the open policy to the outside world the policy permitting peasants to go into towns to do businesses on the basis of self food supply and other policies as well, the urbanization process has been speeded up, urban primacy index has been relatively raised in some provinces and aut. regions, and the development of small towns has been greatly made.

/9274
CSO: 4011/43

'BUY AMERICAN' MISSION PREPARES FOR U.S. VISIT

OW060439 Taipei CNA in English 0327 GMT 6 Jun 86

[Text] Taipei, 5 Jun (CNA)--The 12th "buy American" mission of the Republic of China [ROC] is scheduled to leave for the United States 23 August to purchase more than U.S.$300 million worth of American industrial and agricultural products in 16 states and Washington, D.C., a spokesman for the Board of Foreign Trade [BOFT] said Thursday.

He said the Vincent C. Siew, BOFT director general, presided over a meeting at the BOFT in the afternoon with representatives from the Foreign Ministry, the Government Information Office, Central Trust of China, China Steel Corp., Chinese Petroleum Corp., Taiwan Power Company and bulk commodity importers participating. They discussed matters concerning the organizing of the mission and their planned purchases in the United States.

According to the spokesman the mission plans to buy more than U.S.$200 million worth of soy beans, maize, wheat and other farm produce and more than U.S.$70 million worth of oil and steel refinery equipment, power generation equipment and other industrial products.

Besides making purchases in California, Texas, Indiana, Kansas and 12 other states and Washington, D.C., he said, the mission will also sponsor 10 seminars in investments in the Republic of China and the United States.

He said the mission is scheduled to depart Taipei 23 August and return home 27 September. The ROC has sent 11 "buy American" missions to buy an aggregate U.S.$7.8 million worth of American products since 1978.

/9738
CSO: 4020/344

CBC GOVERNOR DEFENDS HANDLING OF FOREIGN EXCHANGE

OW060433 Taipei CNA in English 0332 GMT 6 Jun 86

[Text] Taipei, 5 Jun (CNA)--The Central Bank of China [CBC] is handling the nation's foreign exchange reserves properly, CBC Governor Chang Chi-cheng said Thursday. "Security, profitability and liquidity have been CBC's main considerations in handling the foreign exchange reserves," Chang stressed.

He said the foreign exchange reserves, which total over U.S.$28.5 billion now, are deposited in some 100 foreign banks in the name of the Central Bank of China.

Chang made the remarks in answering interpellations from several legislators at a budget screening meeting of the legislative Yuan. Those foreign banks, mostly in the United States, Japan, England and West Germany are all listed among the 200 biggest banks in the free world, Chang said.

The legislators suggested that the nation use the huge foreign exchange reserves to purchase such other currencies as the Japanese yen and the Deutsche mark to prevent the possible loss caused by the drastic devaluation of the U.S. dollar. Most of the nation's foreign exchange reserves are now deposited in the foreign banks in the form of U.S. currency.

Chang said as the U.S. has been the nation's biggest trade partner, and the interest rates in the states are higher than those in other countries, the U.S. dollar will still constitute the biggest part of the nation's foreign exchange reserves.

He said the foreign exchange reserves are projected to earn the nation NT [New Taiwan] dollar 67 billion (about U.S.$1.7 billion) in interest income and in profits from trading of bonds and stocks in fiscal 1987.

As to the management of the foreign exchange reserves, Chang said that the government is now using this money to help state-run enterprises repay their foreign debts, grant loans to the private sector for the imports of daily necessities, raw materials and machineries, and make investments in public development projects so as to help stimulate the investment willingness here.

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CSO: 4020/344

MINISTRY TO REMOVE TV, VTR IMPORT RESTRICTIONS

OW050405 Taipei CNA in English 0324 GMT 5 Jun 86

[Text] Taipei, 5 Jun (CNA)--The Ministry of Economic Affairs (MOEA) has approved the Industrial Development Bureau's (IDB) proposal to do away with export ration and local content ratio requirements for videotape recorders (VTRs) and color televisions in view of the imminent removal of import restrictions on the two products scheduled for 1 July.

The export ratio and local content ratio requirements were originally designed to protect the local VTR and color TV industries. With import restrictions lifted, such curbs become meaningless.

The import of components for color TVs will no longer be confined to the U.S. and Europe, while import duties and commodity taxes will be adjusted to reduce local manufacturers' production costs, the MOEA added.

Under current regulations, the local content ratio for VTRs and color TVs are both 55 percent, each VTR maker has its export ratio stipulations, and components for colot TVs have to be sourced from Europe and the U.S.

In related news, the IDB is considering stopping protection of locally-made picture tubes for color TVs. IDB Director Hsu Kuo-an voiced the possibility at a recent meeting with picture tube makers.

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CSO: 4020/344

ECONOMIC AFFAIRS MINISTRY REPORTS ECONOMY GROWING 'STEADILY'

OW311455 Taipei CNA in English 1405 GMT 31 May 86

[Text] Taipei, 31 May (CNA)--Various statistical indexes show that the economy of the Republic of China [ROC] is steadily growing, the Ministry of Economic Affairs [MOEA] said Saturday.

The ministry noted that the ROC's two-way trade totaled U.S.$18.8 billion in the first four months of 1986, registering a 13.2 percent increase over the same period of last year.

The overall industrial production index stood at 134.76 points during the January-April period, increasing 8.23 points compared with the like period in 1985, the MOEA said.

Judging from the trade and industrial production indexes, the ministry added, the national economy has come out of the recession which started in late 1984.

According to customs statistics, the MOEA noted, the imports of capital goods in April alone had an 11.2 percent increase over previous months, showing that the demand for machinery equipment on the part of domestic manufacturers is on the rise. This trend will be helpful to the future economic development it said.

The ministry, however, warned that the continued increase of money supply is expected to impose strong pressure on commodity price hikes because the international oil prices have declined almost to the bottom and the booming exports will further increase this nation's excessive accumulated foreign exchange reserves.

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CSO: 4020/344

EXECUTIVE YUAN SETS ECONOMIC GROWTH RATE

OW300529 Taipei CNA in English 0303 GMT 30 May 86

[Text] Taipei, 29 May (CNA)--The Executive Yuan has set the goal of annual economic growth in the Republic of China at an average of 6.5 percent until the year 2000. And it projects the per capita gross national product will climb to U.S.$13,395 in 2000, about 330 percent higher than the U.S.$3,142 registered in 1985.

The Yuan set the goals in a weekly cabinet meeting Thursday when it approved a plan entitled "Long-term Prospects for Economic Development in the Republic of China on Taiwan Covering the 1986-2000 Period." It was submitted by the Council for Economic Planning and Development [CEPD].

According to the long-term prospects, major goals of the economic development set for the years leading up to the year 2000 include:

--wholesale price hikes will not exceed an annual average of 3.5 percent;

--the average annual growth rates for various sectors are: agriculture, 1.5 percent; the manufacturing industry, 0.6 percent; and the service industry, 7.4 percent;

--the average annual growth rates for population, employment and laborers' productivity will be 1.1 percent, 1.9 percent and 4.5 percent respectively and the unemployment rate will not exceed 0.3 percent;

--the exports of goods and services will grow by an average 6.1 percent annually in real terms and their share in the real GNP will be lowered from 54.5 percent in 1985 to 51.6 percent; and

--the imports of goods and services will have an average 7.9 percent annual growth rate and their share in the real GNP will increase from 41.9 percent in 1985 to 51.2 percent, making exports and imports to be nearly balanced in 2000.

After the cabinet meeting, Yeh Wan-an, vice chairman of the CEPD, explained that the ROC ranked 16th among free world nations in terms of foreign trade volume last year and 11th in terms of exports. With these remarkable achievements, coupled with its geographically strategic position in the Pacific Basin, the country should have great potential to become a strong economic power in the world by the turn of the century, he said.

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CSO: 4020/344

BANKS URGE NEW TAIWAN DOLLAR DEREGULATION

OW030405 Taipei CNA in English 0306 GMT 3 Jun 86

[Text] Taipei, 2 Jun (CNA)--Domestic financial and banking specialists Monday suggested that to stabilize the whole economic formation and balanced development the government should change its policy and deregulate gradually the new Taiwan dollar's exchange rate against the U.S. dollar.

The new Taiwan dollar has been pegged to the greenback for its exchange rate with only slight fluctuations. The Central Bank of China [CBC] had intervened in the foreign exchange market to maintain the stability of the new Taiwan dollar because most of this nation's exports are quoted in the American currency. they pointed out.

The CBC action is also to help domestic traders minimize their possible losses if the exchange rate changes drastically, they noted. They said, however, the large increase of capitals in the domestic money market, resulting from the CBC's buying of the U.S. dollar on the foreign exchange market, is expected to raise inflationary pressure.

Meeting the development as well as liberalizing and internationalizing the nation's banking system, the government has revised part of its existing foreign exchange policy. Among the changes, three banks have been authorized to manage investments and trust funds in the form of foreign exchange.

For the benefit of the national economy as a whole, they said, in the long-run, more imports and investments abroad should be encouraged.

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CSO: 4020/344

BRIEFS

TEXTILE TALKS WITH U.S.--Taipei, 3 Jun (CNA)--Regarding the U.S. request that textile exports from the Republic of China, South Korea and Hong Kong over the next three years be frozen at the 1985 levels, the ROC-USA textile talks will not be held before the United States reaches agreement with South Korea and Hong Kong, respectively, Vincent C. Siew, director general of the Board of Foreign Trade, said Tuesday. He noted that the United States should not ask the ROC to be the first one to accept its request to further restrict textile exports because this nation has always been cooperative in line with the protectionist measures taken by the U.S. Government. The U.S. representatives had expressed their understanding of the basic ROC positions regarding the textile issue in the 26-28 May ROC-USA textile talks in Honolulu, Hawaii, Siew said. The second round of textile talks between the United States and South Korea is scheduled for 9-11 June and the second round USA-HK talks will be held in late June, he added. Siew said the U.S. representatives have promised that the ROC textile exports will not be subject to unilaterally discriminate quota restraints set by Washington. [Text] [Taipei CNA in English 0253 GMT 4 Jun 86 OW] /9738

'LARGE-SCALE' TARRIFF CUTS--Taipei, 1 Jun (CNA)--A ranking official with the Ministry of Economic Affairs [MOEA] has said that in view of the low investment willingness here, the MOEA has decided to discuss with the Ministry of Finance how to make large-scale tariffs cuts on the imports of raw materials so as to accelerate the nation's economic recovery. The official, who preferred anonymity, pointed out that while the nation's exports in March and April showed rapid growth with a total amount of over U.S.$6 billion, the imports registered less than U.S.$4 billion. The continuing expansion of foreign trade surplus will not only heighten the pressure the nation is bearing because of the increasing foreign exchange reserves but will also force foreign nations to take protectionist measures, he said. The official attributed the decrease of the volume of imports to the weakness in prices of crude oil and bulk goods in the world market and the low investment willingness in the nation. "The era of paying-attention-to-exports-only will be over soon. The government should, from now on, pay equal attention to the imports", he stressed. [Text] [Taipei CNA in English 0255 GMT 2 Jun 86 OW] /9738

JAPANESE INVESTMENT SOUGHT--Taipei, 3 Jun (CNA)--Plagued by manufacturing cost increases brought about by the strong Japanese yen, more and more Japanese companies are coming to Taiwan to inquire about local investment incentives, according to the Investment Commission, Ministry of Economic Affairs (MOEA). According to the commission, the electronics industry accounts for most of the inquiries, followed by the machinery industry, metal industry, and chemical industry. In addition to offering exhaustive replies to Japanese inquiries, the commission is also urging Japanese company representatives to visit local processing and industrial zones. Most Japanese companies are impressed with the island's diligent labor force and export incentives, and some even cancel their scheduled visits to other Asian countries, a commission spokesman added. Meanwhile, ROC trade offices stationed in Japan are inviting more companies to visit Taiwan. [Text] [Taipei CNA in English 0330 GMT 3 Jun 86 OW] /9738

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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PROFESSOR VIEWS PROSPECTS FOR STUDY OF ECONOMICS

Part I of Article

HK021221 Beijing JINGJI CANKAO in Chinese 20 May 86 p 6

[Article by Professor Li Yining (0632 0110 1337) of Beijing University: "Prospects for the Study of Economics in China"--part 1 of 2]

[Text] I. The Challenges Facing Economics

1. The Chinese economy is in a period of transformation from an old structure to a new one and the study of economics cannot remain at the original level. The historic mission of the economic circles is to adhere to and develop Marxism in light of China's practical conditions and to raise theoretical studies to a new level.

2. In the study of economics, outdated concepts will not voluntarily disappear. There is nothing serious in this. Before long, nobody will like to read articles spreading outdated concepts or to listen to lectures publicizing outdated concepts. We should concentrate on studying and solving new problems. This is the main area in which we should concentrate our efforts.

3. Only by ceasing to confine their tasks to explaining existing policies is it possible for economics workers to make breakthroughs in their studies and to make new headway in their theoretical studies.

4. A serious defect in the study of socialist economic over the years is that we have not paid sufficient attention to analyzing economic operations. For this reason, an urgent task facing the study of socialist economics is to establish our own scientific theory on socialist economic operations. This is precisely the basic contents of our socialist economics.

II. The Social Responsibility of Economics Workers

5. If we do not study new problems in Chinese socialist economy, who will? If we do not explain the new phenomena that have occurred in Chinese economy, who will? If we do not establish new branches of science, who will? We should have the spirit of "not passing to others what we

are called upon to do." It can be predicted that 1 decade from now a number of outstanding economists representing China's new economics will emerge from people between 30 and 40 years of age today. People our age will play a role as transitional figures serving as a link between past and future. Assisting young and middle-aged economic workers is a task history has entrusted to us.

6. It is necessary to have courage in developing Marxist economics. We should free our minds of apprehension so long as it contributes to socialist construction. Problems that have not been explained in classical works may be raised for discussion. If, in light of the new conditions, it is necessary to restudy problems that have been discussed in classical works, we may also air our views. We may also use new methods or terms that have never been used in classical works so long as they are more or less scientific. We should not confine ourselves to scholastic studies.

7. Economics workers have the duty to analyze and to comment on policies. Silence on the part of economic circles constitutes an incalculable loss to the cause of socialist construction. Naturally, it is necessary to discuss current economic policies on an item-by-item basis and on different scales and to pay attention to the social effect of the policy discussion. In holding a policy discussion, it is necessary to combine motive with effect.

8. It is necessary to make a scientific analysis on the results achieved by foreign countries in the study of economics. It is incorrect to indiscriminately affirm or negate them lock, stock, and barrel. It should be stressed here: We should proceed from China's practical conditions in everything; we should not mechanically copy them even if they can be taken as a reference. Our objective is to learn from the strong points of various schools of thought in order to build up our own economic science.

III. The Vitality of Economics Lies in Bringing Forth New Ideas

9. Bringing forth new ideas in economics refers not only to making some breakthroughs and achieving some results in the study of applied economics, but, what is more important, to blazing new trails in the study of theoretical economics. This is because theoretical economics is the basis of applied economics.

10. To blaze new trails in economics, we should rely on collective wisdom. However, collective wisdom can be brought into full play only in an academic environment, where different schools of thought contend. A problem in economics can finally be solved only after repeated discussions and repeated confrontations of academic views. In this sense, all of us should participate in the contention and contribute our share in blazing new trails for socialist economics.

11. New concepts of socialist economics are often regarded as heretical at first. There is nothing strange about this. The heart of the matter does not lie in whether the new concepts were at first regarded as heretical but in whether they can later stand the test of practice. In fact, all theses of economics were regarded as hypotheses when they were first set forth. Without these hypotheses, it would be impossible to make any headway in the study of economics. Economics always advances in the course of constantly setting forth hypotheses and testing and verifying them.

12. In order to achieve new breakthroughs in the study of economics, in addition to expanding their range of knowledge and enhancing their ability to analyze problems and to express their ideas, what is more important to economics workers is to engage in independent thinking. If all economics workers are good at independent thinking and constantly kindle "ideological sparks," we can develop a contingent of high-quality research workers in economics.

IV. The Development of Economics Needs a Favorable Academic Environment

13. The development of economics needs a favorable academic environment and so does the development of all branches of learning, including literature, philosophy, other social sciences, and all natural sciences. Without a universally favorable academic environment, it would be impossible for economics to develop in isolation andfor economics workers to "fight in isolation." We hope that a favorable academic environment will be created for science as a whole.

14. There is no need for economics workers to give serious attention to critical views that are not raised in a realistic manner. However, it is necessary for the departments in charge of ideological matters to create a favorable academic environment for the contention of economics. The practice of socialist construction will give a fair judgment of the ongoing academic contention. In the study of economics, it is necessary to prevent the following phenomenon: Some people neither pay attention to nor study practical problems at ordinary times. They are only keen on finding ready answers from books. However, when they note some new concepts in the course of discussion, they will copiously quote authoritative works as if they were the most qualified persons to criticize those studying practical problems. This is obviously an abnormal phenomenon, which we wish will not happen in the future.

15. All people are equal in the study of economics. All experts, authorities, and leaders join in the discussions in the capacity of academic researchers. They should respect science and submit themselves to the truth. Only in this way will there be hope for the prosperity of economics.

16. Those who achieve successes in the study of economics are not necessarily professional economics workers. Amateur economics workers and those who study other specialties but who are interested in economics

will join the ranks of economics researchers. We should create a favorable academic environment for their participation in economics studies and not lightly censure them as "failing to attend to their proper duties." It is precisely the duty of all builders of socialism to offer advice, put forward proposals, and think of ways for socialist economic construction. Professional economics workers should never have the inclination of closed-doorism. In both history and practical life, are there not sufficient examples of how people who have never received professional training in economics have become well-known economists?

Part II of Article

HK021239 Beijing JINGJI CANKAO in Chinese 21 May 86 p 6

[Article by Professor Li Yining (0632 0110 1337) of Beijing University: "Prospects for the Study of Economics in China"--second and final part]

[Text] V. The Knowledge Composition of Economics Workers

17. Economics basically develops simultaneously with other branches of learning and the overlapping and infiltration between different branches of learning are being conducted at an increasing pace. New fields of economics studies have developed on the border areas between economics and other branches of learning. Economics workers should be concerned about the latest developments in other branches of learning, pay attention to absorbing the latest achievements in other branches of learning, and try to explore and open up new channels of research on these border areas.

18. The knowledge composition that economics workers should possess are inseparable from the tasks facing economics in each era. It is necessary to have a correct understanding of this knowledge composition. A common understanding is that economics workers should have knowledge of natural sciences, master calculation skills, receive training in statistics, and so on. This is a correct understanding. However, we should not neglect that even economic theories likewise face the problem of knowledge renewal. If we pay attention only to the renewal of economics methods to the neglect of the renewal of economics theories, it will be impossible for us to achieve greater successes in our research.

19. In the study of economics, various methods always complement one another. A breakthrough in the methods of studying economics implies: 1) We should be good at choosing research methods according to the research topics and at combining various methods so that we can reach a new level in the use of existing methods. 2) We should be good at introducing certain methods in other branches of learning so that they can become new methods of studying economics.

20. Constant changes in knowledge composition make it entirely possible for a new generation of economics workers to discover the weak links in the research work of the older generation of economics workers and to ultimately surpass the older generation of economic workers. Economics attains a new plane in exactly this way.

VI. The Unity of the Standard Nature [gui fan xing 6016 5400 1840] and the Positivist Nature [shi zheng xing 1395 6086 1840] of Economics

21. As the science of social enlightment, economics tells people how to judge the right and wrong of economic matters. As the science of social designs, economics tells people how to attain the set objectives. Viewed from social enlightment and social designs, the standard nature and the positivist nature of economics always form a unity.

22. It is impossible to interchange positivist studies and standard studies in socialist economics. In the past, we paid attention neither to positivist nor to standard studies. It was precisely because we did not attach importance to standard studies that we failed to differentiate between right and wrong and made wrong judgments. The result was that what should not have been affirmed were lauded to the skies and that some originally correct things were "thoroughly refuted." It can thus be seen that overlooking the standard studies of economics will cause greater losses to socialist economic construction.

23. The study of economics can be divided into different levels. At the lower levels, positivist studies account for a larger proportion. At the higher levels, however, standard studies account for a larger proportion.

24. "Economics papers" consisting of 50 percent of quoted passages "with quotation marks" and 50 percent of others "without quotation marks" no longer appeal to readers. In the future, academic periodicals should publish articles that contain the writers' original ideas or in which the writers excel themselves in either standard or positivist studies. This will be a literary style of China's economics. The development of this literary style depends on the concerted efforts of us all.

VII. Prospects for the Study of Economics in China

25. Only by basing our work on our own country and the reality is it possible for us to make breakthroughs and to blaze new trails in the socialist economics.

26. Various schools of socialist economics holding different academic views will emerge under the guidance of Marxism. None of the schools should have a sectarian bias. Those who approve the basic academic concepts of this school should be regarded as a member of this school. Schools of thought should not close themselves to the outside world.

27. In the field of socialist economics, different schools emerge and gradually develop in the course of academic contention. When a school first emerges, it is impossible to have very perfect academic concepts. However, it must have some new concepts, adopt new methods, and put forward new ideas. Perfection of this school will be left to the joint efforts of the other members of the school. In this way, all schools will not remain at the initial levels but will forge ahead; in socialist economics

as a whole, a situation of constant progress will also emerge. That is to say, contention among different schools of thought will be conducted at increasingly higher levels. This is an indication that the study of economics in China is flourishing.

28. Different schools of thought will exist for a long time. If, in the future, some people hold that all these schools have deficiencies or that it is possible to coordinate various schools of thought, another new school will then come into being. This has happened in the history of economics theories and will also happen in China's economics circles. It can be predicted that provided there is a favorable academic environment and a contingent of high-quality economics research workers, different schools will not only emerge in China's economics circles but some new schools will continue to emerge. The study of socialist economics will go deeper and the level of economics in China will also become higher. We look forward to the arrival of this prospect.

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CSO: 4006/1090

NATIONAL POLICY AND ISSUES

REGIONAL ECONOMIC DEVELOPMENT CLASSIFICATION DISCUSSED

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 3, 20 Jun 85 pp 52-55

[Article by Feng Shixin [7458 0013 2450] of the Xian Jiaotong University: "On the Issue of the Division of Regional Types in Economic Development"]

[Text] Since the nation's founding, we have roughly classified our country's regional types in economic development as follows: In the 1950's, in the First 5-Year Plan and in Comrade Mao Zedong's report "On the 10 Major Relationships," the regional types in the economic development of our country were classified into the "coast" and the "hinterland." The policy on correctly handling the relationship between coastal industry and the industry of the hinterland was also put forth. This could be referred to as a "binary method." Later, some people proposed the drawing of an oblique line from Aihun in Heilongjiang Province to Tengchong in Yunnan Province. East of the oblique line were the "developed regions" and west of the oblique line were the "underdeveloped regions." This could also be referred to as a "binary method." In the "Sixth 5-Year Plan" approved by the Fifth Conference of the Fifth NPC, the regions were classified into the "coast," "the hinterland" and "minority nationality and underdeveloped region." This could be called a "ternary method." Comrades Zhou Zhiqun and Liu Jiajin published an article entitled "Several Issues on the Development of the Productive Forces in the Underdeveloped Regions in Our Country" in the second issue of the 1984 "Economic Science." In the article, the authors maintained that the above classifications "overemphasized the regional concept," and "failed to accurately represent the reality of the level of development of the productive forces of the various regions." As a basis for classification, they advocated the "establishment of a comprehensive index system which could represent the level of development of the productive forces in various respects." Prior to the establishment of this index system, assessment should be carried out on the following important indices: the per-capita gross value of social output, the social labor productivity, the gross value of social output on every square km of land and the situation of financial revenue and expenditure of the selected regions. Since our country lacked the statistical data on the regional per-capita gross value of social output, the authors therefore advocated using the per capita gross value of industrial and agricultural output (GVIAO) as the basis for classifying the regional types in economic development, and supplementing and revising the data on the basis of the other three indices. Taking the per capita GVIAO throughout the country in 1981 as the basis, they carried out readjustment, and categorized those provinces, municipalities and autonomous regions with a regional per capita GVIAO of over 1,000 yuan as "developed regions," those between 600 to 1,000 yuan as "average developed regions" and those under 600 yuan as "underdeveloped regions." The results of classification according to this index were as follows: There were 7 provinces, municipalities and autonomous regions throughout the country which were categorized as "developed regions," only 6 categorized as "average developed regions" and 16 categorized as "underdeveloped regions" (including Hunan, Fujian, Shaanxi, Jiangxi, Henan, Anhui, and Sichuan provinces). Comrades Zhou Zhiqun and Liu Jiajin put forth the necessity of "establishing a comprehensive index system which can represent the level of productive forces of the various aspects" and use it as the basis for classifying the regional types in economic development. Although this has inspired us positively, yet their "new ternary method" embraces many problems which merit discussion.

How should we classify regional types in economic development? I feel that the most fundamental and foremost task is to clarify the guiding ideology in the classification, i.e., the goal of and indication for classification. The fundamental goal of the classification of regional types in economic development is to rationally deploy productive forces in the various regions throughout the country. This means that we must conduct a practical and realistic estimate of the productive forces which have been formed in different regions in our country within a definite period of time. In this way, the state can conveniently proceed from reality, implement classified guidance in economic construction, formulate the strategies for economic development of different regions as well as the principle, policies and measures for realizing the strategies, rationally deploy productive forces within the national scope, and promote an upsurge of the entire national economy. On the basis of this guiding ideology, I feel that: 1) The indication for the classification of regional types in economic development should be the productive forces which are formed in different regions within a definite period of time, and not other criteria (such as the extent of wealth or the extent of economic results of different regions). 2) With the development of economic construction, the classification of regional types in economic development must also change with the changes in the development of the situation of deployment of the productive forces, i.e. the classification of types must accurately represent the objective reality of the changes in the development of the productive forces. 3) The result of the classification of regional types in economic development must provide the scientific basis for guidance in economic construction.

Proceeding from the abovementioned guiding ideology and classification principle, how should we assess these methods of classification? I feel that the "binary method" conformed to the objective reality of the deployment of productive forces in our country in the early days of the nation's founding, and once played a positive role in guiding our country's economic construction. The conditions of the deployment of productive forces which the old China had left behind were as follows: 70 percent of our modern industry was concentrated on the eastern coastal region, which constitutes less than 12 percent of our land. Inversely, the gross value of industrial output of the vast western region, 68 percent of the land in our country, only constituted 9 percent of the nation's gross. Most of the railways and highways were built along the eastern coastal region and in the northeast region, while communications in the southwest and northwest regions were inaccessible. In light of this situation, at the beginning of the First 5-Year Plan, the state put emphasis on strengthening the construction of the hinterland while fully utilizing the industries along the coast. More than half of the capital construction funds were invested in the development of the hinterland. In the gross amount of capital construction investment throughout the country, the percentage of investment in the hinterland in the various periods has varied: 47.8 percent in the "First 5-Year Plan" period; 53.7 percent in the "Second 5-Year Plan" period; 58 percent between 1963 and 1965; 66.8 percent in the "Third 5-Year Plan" period; 53.5 percent in the "Fourth 5-Year Plan" period; and 49.5 percent in the "Fifth 5-Year Plan" period. After 30 years of construction, the value of industrial output of the hinterland has increased by more than 40 times. Its proportion in the gross value of industrial output throughout the country has increased from 28 percent in the early days after Liberation to 36 percent. By 1978, the proportion of the fixed assets owned by the state-owned industrial enterprises in the hinterland increased from 27.1 percent in 1952 to 53.6 percent of the nation's total. Currently, the industrial fixed assets of the two large regions of the southwest and northwest as well as Hunan, Hubei, Henan and Shanxi provinces constitute more than one-third of the gross amount of industrial fixed assets of the whole country, and the gross value of industrial output of these regions constitutes one-fourth of the nation's gross. In the railway operation mileage throughout the country, the southwest and northwest regions have increased their percentage from 5.5 percent in 1949 to 24.8 percent in 1979. In the highway operation mileage throughout the country, the southwest and northwest regions have also increased its percentage from 24.2 percent in 1950 to 31.9 percent in 1979. The above data shows that, after 30 years of construction, great changes have taken place in the deployment of our country's productive forces. Thus, if we continue at present to classify the country into the "coast" and the "hinterland" (or into "developed region" and "underdeveloped region" according to the "new binary method"), then, we will not be able to represent the objective reality of the deployment of our country's productive forces at the present stage, and will not be able to meet the needs of guiding our economic development still further in the future.

The "Sixth 5-Year Plan" has classified our country's regions in economic development into "coastal region," "hinterland region," and "minority nationality and underdeveloped region." Different guiding principles have also been put forth for different regions: The coastal region must bring into full play its special strength and motivate the hinterland, must develop high-grade, precision and advanced industries, and must actively expand foreign trade. The hinterland region must speed up its energy, communications and raw materials industrial construction in support of the coastal region, must restructure, reorganize and assemble the present machine-building industry, develop consumer product industry in a planned manner, and bring into full play the potentials of agricultural production. The minority nationality and economically underdeveloped region must bring into play its superiority in agriculture and animal husbandry. In light of the characteristics of its resources, it must strengthen industrial construction in a planned manner. We must continue to support it in terms of financial resources, material resources and technological strength. This manner of classification of regional types in economic development and the guiding principle are suitable to the objective reality of our country's current deployment of productive forces and is favorable to the implementation of classified guidance in economic construction. It is thus correct. We can further prove its correctness in the following respects:

First, in terms of historical development, China's development began in the middle reaches (inland) of the Huanghe and Changjiang. With the development of a commodity economy, in particular with the invasion of foreign capitalism, the coastal economy gradually became colonialized or semicolonialized. However, the coast has more productive forces in modern industry and communications and transport undertakings, and takes the lead in the nation in the level of development. Comparatively speaking, the level of productive forces of the hinterland is backward. Moreover, due to restrictions by all kinds of factors, including social system, population and communications, the frontier region has all along remained underdeveloped. On this basis, after 30 years of emphasis on strengthening hinterland construction since Liberation, objectively, the regional differences in the extent of the development of the productive forces of the "coastal," "hinterland" and "minority nationality and underdeveloped" regions have become more conspicuous.

Second, in terms of the present condition of the development of productive forces, these three regions all embody their own striking characteristics. The coastal region has a better industrial foundation, a higher level of production technology, a higher level of business management and better economic results. However, it is densely populated and suffers from an energy shortage. There are more restrictive factors for further economic development. The hinterland has more newly-built industries and more adequate energy and raw materials supply. However, its management level is low and its economic results are poorer than the coastal region. There is greater potential for agricultural production. The minority nationality and underdeveloped region has a smaller population, a vast land and abundant natural resources. However, it has little modern industry and poor transport facilities. It must create the conditions for further development.

Third, in terms of the formulation of strategies for economic and social development, it is also necessary to classify the regions into three types. The coastal region not only has high economic standards, but also has the geographical advantage to conveniently carry out economic and technological exchanges with foreign countries. Furthermore, it has established more external economic relationships in the past as well as accumulated experiences in that respect. Different policies should obviously be adopted for the hinterland region where there are more newly-built industries and potentials which have not yet been fully developed. Needless to say, special policies must be adopted for the development of the "minority nationality and underdeveloped region."

Comrades Zhou Zhiqun and Liu Jinjia put forth the "new ternary method" of classifying types in economic development on the basis of a series of indices with the per capita GVIAO as the key. I feel that this is worth discussing. The primary reasons are as follows: First, their disagreement with the "one-sided emphasis on the regional concept" in classifying regional types in economic development is worth studying. 1) Classifying regional types in economic development is an issue involving the study of the deployment of productive forces. It attempts to study the distribution of productive forces in various regions in our country at the present stage. We cannot depart from the "regional concept" in considering the issue. 2) The geographical characteristics of a certain region have great bearing on the condition of the productive forces of that region. 3) In terms of the implementation of the principle of rational deployment of productive forces, we must carry out industrial production near the raw material and fuel producing areas and the sales markets, implement cooperation among specializations, speed up the development of economically backward regions, and implement the nationality principle and the national defense principle. These are all closely related to the regional characteristics of different regions.

Second, it is not scientific enough to simply use such indices as per capita GVIAO, social labor productivity, the gross value of social output of our land, and financial revenues and expenditures, to explain the level of productive forces of different regions and to use them as the criteria for classifying regions into developed and underdeveloped reigons. These indices (gross output value, labor productivity, financial revenues and expenditures, and so on) represent the results of the roles played by certain productive forces, but are not equivalent to the productive forces which have been formed. They may represent the level of economic development, economic results and extent of wealth attained by different regions, and are meaningful to assessing the economic work--good or bad--of different regions. However, from the angle of the study of the deployment of productive forces, they cannot fully represent the condition of the productive forces which have already been formed in the different regions. We know that productive forces include the human element and the material element. In terms of the condition of regional productive forces, the human element is manifested in the number of laborers, in particular, in the education, scientific and technological strength which a region possesses and the cultural, scientific and technological level of the laborers of that region. Leaving aside the controversy that the object of labor is an important material element, it is generally recognized that the condition of labor materials (technological equipment) is an indication of the level of development of the productive forces. Thus, the rational indices which directly represent the condition of the productive forces which have been formed in the various regions should be the conditions of the productive capacities or fixed assets (including the productive capacities in industry and agriculture, the communications and transportation factors, and so on) which have been formed, the educational, scientific and technological facilities which have been formed and their corresponding capabilities, as well as the cultural, scientific and technological levels of the laborers. Herein exists the difference between the productive capacities which have been formed and the results of the actual roles played by certain productive capacities. Currently, one problem in our country's economic development lies in the following: After Liberation, the newly-increased productive capacities and education and scientific and technological strengths of the hinterland region have been developed to a great extent. However, with the restructuring of the economic structure, the shortcomings in the management system, and relatively backward business management, the productive capacities which have been formed in these regions have not been brought into full play. Thus, the

GVIAO, labor productivity and financial revenues of these regions are still very low. To solve these problems, we must rely primarily on restructuring, reform and rectification to improve economic results and bring into full play the role of the productive capacities which have been formed. The minority nationality and underdeveloped region, however, must rely primarily on increasing new productive capacities in order to carry out new development.

Third, using the per capita GVIAO as the criterion for classification, we may easily confuse those regions with different types of economic development. This will be unfavorable to the formulation of regional economic development strategies and classified guidance in economic construction. This is because this classification method is calculated using the total population of different regions as the base figure. However, in our country, the differences in the total population of different provinces and regions are too great. In accordance with the third national census: In 1982, the total population of Sichuan Province was 99.71 million people, with a population density of 176 people per sq km; the total population of Tibet was only some 1.89 million people, with a population density of only 1.6 people per sq km. The total population of Sichuan was 53 times that of Tibet, and the population density was 118 times that of Tibet. The differences in the total population of different provinces and regions can be from several times to more than 10 times, while the population density can be from more than 10 times to more than 100 times. Under such a circumstance, using the per capita GVIAO as the "most important" criterion to gauge the level of development of the productive forces, we will classify those provinces and regions with obvious and immense differences in the level of development of their productive forces as one regional type. For instance, we will classify both Tibet and Sichuan as "underdeveloped regions." Can this "accurately represent the reality of the level of development of the productive forces in the various regions"? In their article, Comrades Zhou Zhiqun and Liu Jinjia discussed the "handling of the problems which currently exist in the development of productive forces in the underdeveloped regions." They maintained that the underdeveloped regions are at the rudimentary stage of the development of the productive forces. Their poor economic results are the crux of the development of the productive forces of the underdeveloped regions. Besides geographical location, science and technology and other factors, the weakness in the infrastructure such as communications and transportation is a primary reason why the economic results are poor and the profits are low. This analysis is no doubt correct with regard to the "minority nationality and underdeveloped region" pointed out in the "Sixth 5-Year Plan." However, this is obviously inaccurate with regard to the so-called "underdeveloped regions" as indicated by their "new ternary method," which includes 16 provinces and regions constituting more than half of the country's territory. The purpose of classifying regional types is to provide the basis for classified guidance in economic construction. What realistic significance therefore can the classification by comrades Zhou Zhiqun and Liu Jinjia have in guiding our country's economic construction? In the economic construction (in particular, in the development of the great northwest and the great southwest regions), are the positions and roles of those 16 provinces and regions which are included in the so-called "underdeveloped regions" the same? Toward these many so-called "underdeveloped regions," can the state adopt the "supportive" policy stipulated in the "Sixth 5-Year Plan" on the "minority nationality and underdeveloped region" or the "special policy" which comrades Zhou Zhiqun and Liu Jinjia proposed in their article? This is obviously impossible.

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ZHEJIANG GOVERNOR PRESENTS SEVENTH 5-YEAR PLAN REPORT

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[Report on the Seventh 5-Year Plan of Zhejiang Province, delivered by Zhejiang Provincial Governor Xue Ju on 5 May 1986 at the Fourth Session of the Sixth Provincial People's Congress--passage within slantlines published in boldface]

[Text] Deputies:

The main item on the agenda of the current session of the Sixth Provincial People's Congress is to examine and approve our province's Seventh 5-Year Economic and Social Development Plan. On behalf of the provincial people's government, I now deliver a report on this plan for your examination and approval.

The work of drafting our province's Seventh 5-Year Plan has lasted for more than 2 years. As the State Council arranged, the provincial people's government organized all localities and provincial departments to conduct extensive investigations and studies, make estimates, and acquire opinions from people of all circles with regard to the targets and tasks of the Seventh 5-Year Plan. Then, after repeated revisions, a preliminary draft of the Seventh 5-Year Plan was drawn up. In late April the Zhejiang Provincial CPC Committee called an enlarged plenary meeting to seriously discuss this preliminary draft, and many important suggestions were made at that time. The draft plan now distributed to you for examination and approval was finalized after being revised according to the suggestions received from various quarters.

I will first report on the work done in implementing the Sixth 5-Year Plan. Then I will give some explanations on the questions of the basic tasks of the Seventh 5-Year Plan and the principal economic work, economic reform, and building of spiritual civilization during this period.

I. Implementation of the Sixth 5-Year Plan

Guided by the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee and through the joint efforts of the people throughout the province, we have fulfilled or overfulfilled the main tasks and targets set in our Sixth 5-Year Plan. We may say that the period of the Sixth 5-Year Plan was one marked by the most vigorous economic construction and social development and the most prominent changes in our province since the founding of the People's Republic.

During the Sixth 5-Year Plan our province's economy showed sustained and steady development at a relatively high rate. From 1980 to 1985 our province's gross value of industrial and agricultural production rose from 30.1 billion yuan to 67.8 billion yuan, while the domestic income rose from 15.8 billion yuan to 35.7 billion yuan, both more than doubling and exceeding the planned targets by over 60 percent. Increases of such magnitude were never experienced in any of the previous 5-year plans.

A breakthrough was made in the development of agriculture. The province-wide agricultural output value for 1985 (including industrial production at and below the village level) reached 23.4 billion yuan, more than double the 1980 amount. The average annual growth rate was 15.7 percent for these 5 years. Output of all agricultural products increased by a wide margin. Compared with the records for the period of the Fifth 5-Year Plan, the average annual output of grain increased from 13,869,000 metric tons to 16.3 million metric tons during the Sixth 5-Year Plan, cotton from 66,000 metric tons to 95,000 metric tons, rapeseed from 189,000 metric tons to 359,000 metric tons, the number of pigs slaughtered from 10.29 million head to 12.38 million head, and aquatic products from 800,000 metric tons to 910,000 metric tons. The amount of timber reserves in the province also exceeded that during the Fifth 5-Year Plan.

Village and town industries made great headway. The value of these industries' total output reached 20.7 billion yuan in 1985, showing a more than fourfold increase in 5 years. Meanwhile, there was a significant change in the rural production structure, in that the rural economy was no longer based on farming alone, but embarked on the track of all-around development of farming, forestry, animal husbandry, sideline production, fisheries, and comprehensive operations in agriculture, industry, and commerce.

Industrial production continued to develop. The province's total industrial output value (excluding industries at and below the village level) reached 44.4 billion yuan in 1985. This was 1.36 times more than in 1980 and pushed our province from 12th to 7th position in the country in terms of industrial output value. The planned targets were fulfilled or overfulfilled for most of the major industrial products. From 1980 to 1985 the annual output of electric power rose from 8.1 to 13.2 billion kwh, steel from 390,000 to 540,000 metric tons, cement from 2.28 to 8 million metric tons, and chemical fertilizers from 490,000 to 520,000 metric tons. During this period, output of cotton yarn, cloth, and woolen fabrics all doubled, while production of television sets, refrigerators, washing machines, and other household electric appliances increased from over a dozen times to several dozen times. In the meantime, relatively big progress was made in transportation, postal, and telecommunication services. In 1985 the transportation departments in our province transported a total of 25.6 billion metric ton-kilometers of cargo, up 34 percent compared with 1980. The total business volume of postal and telecommunication service was close to 200 million yuan, more than double that of 1980. While production rose steadily, economic efficiency was raised to a fairly big extent. Compared with 1980, labor productivity at industrial enterprises owned by the whole people and operating with independent accounting systems rose 36 percent in 1985, average energy consumption for each 10,000 yuan of industrial output value dropped 33 percent, and the volume of tax revenues and profits created by industrial enterprises included in the budget increased 36 percent.

Considerable achievements were made in capital construction and technological transformation. In the 5 years, a total investment of 7.7 billion yuan was made in capital construction by units owned by the whole people, a 72-percent rise compared with the investment made during the Fifth 5-Year Plan. Thirty-one big and medium-sized projects were completed. The investment in technological upgrading and transformation of enterprises was 4.1 billion yuan, four times more than during the period of the Fifth 5-Year Plan. This upgrading and transformation investment accounted for 33 percent of the total investment in fixed assets, compared with 15 percent for the Fifth 5-Year Plan period. Due to the investment made in capital construction and in technological upgrading and transformation, the amount of fixed assets of industrial enterprises increased by 4.6 billion yuan. This additional value was equivalent to 68 percent of the original amount of fixed assets of state-owned industrial enterprises in our province at the end of 1980. Meanwhile, remarkable improvement was noted in the technological level of a number of trades and enterprises.

Financial revenue increased annually and reached 6 billion yuan in 1985. During the 5 years, the average annual increase was 600 million yuan. This not only boosted our province's economic strength but also contributed to the fundamental improvement of the financial and economic situation in our country. As for expenditures, the total for the 5 years was 12.4 billion yuan. Expenditure for agriculture was 1.4 billion yuan, accounting for 11 percent of the total amount of expenditure, and operating expenses for science, education, cultural, and public health undertakings were 3.7 billion yuan, accounting for 29 percent. In the 5 years, subsidies given to people for daily needs, including in the form of grain, cooking oil, meat, and eggs, totaled approximately 4 billion yuan.

Relatively big progress was made in our scientific, technological, educational, cultural, and public health undertakings. In the 5 years, successful results were achieved in 3,329 scientific research projects. Of the scientific research projects receiving awards in the first 4 years, 25 won state invention awards and 40 won state advanced-technology awards. Moreover, the wide application of scientific and technological achievements and the development of a mass technological innovation campaign produced fairly good economic results and social benefits. Spending for education was 2.1 billion yuan, double the amount for the Fifth 5-Year plan. The number of institutions of higher education increased from 22 to 35, and 51,300 people graduated from such institutions in the 5 years, or 2.37 times more than the number of graduates during the Fifth 5-Year Plan. Preliminary adjustment was made in the secondary educational structure, while rapid progress was made in developing vocational and technical education. Primary education was popularized in 71 counties (districts) and cities of our province. Various forms of adult education developed on a wide scale. The quality of school education was further raised, and conditions for running schools improved step by step. Literary and art works and the performing arts all showed improvement in quality and produced outstanding results which were well received by the people. New achievements were made in broadcasting, film, television, press, and publication work. Mass athletic activities developed further. A total of 406 gold medals were won in international and domestic sports contests. Conditions for public health and medical work improved gradually, and new progress was made in controlling endemic diseases. One-third of the rural population had access to running water. Family planning work achieved remarkable results. As of 1985, the province's natural population growth rate had declined to 6.56 per 1,000.

A good start has been made in opening to the outside world. During the Sixth 5-Year Plan period, we imported 585 pieces of technology and equipment, worth $300 million, and 72 Chinese-foreign joint ventures and cooperative enterprises registered with the provincial administration of industry and commerce. We made new progress in foreign trade. In 1985 alone, the province's export trade volume reached $940 million, overfulfilling the target of the Sixth 5-Year Plan by 42 percent. We also greatly developed tourism. During the Sixth 5-Year Plan period, foreigners, overseas Chinese, and Hong Kong and Macao compatriots who visited Zhejiang increased by more than 200 percent compared with the Fifth 5-Year Plan period, and our foreign exchange earnings from tourism exceeded $80 million.

Both our urban and rural markets were prosperous and brisk. In 1985, commodity retail sales in the province amounted to 19.7 billion yuan, more than double the 1980 amount, and the value of commodities purchased by state commerce and supply and marketing cooperatives increased by 52 percent over 1980. There were 630,000 individual craftsmen's and traders' households in the province in 1985, 19 times the number in 1980. Country fairs were held in urban and rural areas across the province, with trade transactions amounting to 4.4 billion yuan in 1985, up 260 percent from 1980.

With the development of production, the people's living standards improved remarkably; the improvement during the Sixth 5-Year Plan period was the biggest since the founding of the People's Republic. A sample survey of urban worker and staff households showed an average per-capita income of 839 yuan in 1985, a 9-percent average annual increase of income over the past 5 years (after allowing for the rise in commodity prices). The per-capita net income of peasants in 1985 was 548 yuan, with income increasing at an average annual rate of 17.7 percent over the past 5 years. New houses completed during the 5 years totaled some 23 million square meters of floor space in urban areas, and 160 million square meters in rural areas. Housing for both urban and rural people improved. During the 5 years, jobs were given to 560,000 people in urban areas, and improvement was made in the longstanding situation in which it was difficult for urban youth to find jobs.

During the Sixth 5-Year Plan period, we stepped up the building of socialist spiritual civilization while paying attention to building material civilization. In addition to actively developing culture and education, we strengthened and improved ideological and political work. We comprehensively publicized the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. We resolutely repudiated the erroneous theory and practice of "taking class struggle as the key link," and consolidated and developed the political situation of stability and unity. We firmly shifted the stress of our work to socialist modernizations and energetically advocated the pioneering spirit of reform and development, thus laying the ideological foundation for restructuring the economy and the economic development of both urban and rural areas. The launching of the "five stresses, four points of beauty, and three loves" movement and the campaigns to build civilized units and learn from PLA heroes and model persons brought about new changes in the people's mental attitude. Many advanced persons and advanced units emerged on all fronts and in all professions and trades. We stepped up education in the socialist legal system and popularized legal knowledge. We made remarkable achievements in combatting serious crime, gradually reduced crimes, and noticeably improved public order. We intensified our efforts to combat serious economic crimes. All this created a good social environment for reforms and the four modernizations.

The successful fulfillment of the Sixth 5-Year Plan has laid a good foundation for the implementation of the Seventh 5-Year Plan and firmed our confidence in winning even greater victories. However, we must soberly realize that many shortcomings did exist and certain slipups did happen in our work in the past 5 years. Both our thinking and our work fell short of the rapidly changing situation. In the course of reform, we underestimated possible problems because of our lack of experience. Since we began implementing the policy of opening to the outside world and invigorating the economy we again encountered such problems as overinvestment in fixed assets, excessive increases in consumption funds, and sharp rises in commodity price indicators. After we tightened macroeconomic control, the practice of demanding uniformity in everything reappeared. As we concentrated our strength on economic construction, we overlooked ideological and political work and the building of spiritual civilization, resulting in many problems, including some serious ones, connected with the cadres' workstyle and the standards of social conduct. There are still many difficulties on the road ahead. Acute shortages in the supply of energy and major raw and semifinished materials and inadequate transportation facilities are still restricting our province's economic development. With the continued reduction in land acreage planted to grain crops, it is difficult maintaining a steady growth in grain production. Industrial enterprises are confronted with new tests amid keen competition for markets. Serious shortage of competent personnel, in particular competent economic management personnel, is limiting our efforts to develop the economy and raise our economic efficiency. Moreover, economic development in various parts of the province is quite uneven. In some mountainous areas, the poor and backward state has not been radically changed, and the food and clothing problems for a few people have yet to be resolved. With regard to these difficulties and problems existing in the course of our advance, we should not exaggerate them because to do so would produce an adverse effect on our confidence to make progress; nor should we take them so lightly as to adversely affect the healthy development of our reform and construction. We must take a serious attitude in summing up experience, work conscientiously, and rely on the concerted efforts of the people in the entire province to overcome the difficulties ahead of us, to further develop our excellent situation, and to do an even better job in fulfilling the tasks of the Seventh 5-Year Plan than in the Sixth 5-Year Plan.

What should we learn from our experience in carrying out the Sixth 5-Year Plan?

/1. Insist on reform, make in-depth reform, and use reform to spur on economic and social development./

During the Sixth 5-Year Plan, we gradually developed reform work in various areas as arranged by the party Central Committee and the State Council. Economic structural reform began in rural areas. We changed the method of pooling labor to do collective work and the system of centralized distribution; instead, we widely popularized a system of contracted responsibilities based on the household with remuneration linked to output. We changed the unified and fixed purchase system for farm and sideline products, readjusted the rural production structure, and went all out to develop diversified operations and village and town enterprises without overlooking grain production. As a result, the rural commodity economy developed quickly, a large amount of surplus labor was put to use, and the broad masses of peasants embarked on the road of getting rich through industrious work. This major breakthrough in rural reform greatly encouraged us to proceed with urban reform. During the last 2 years, we thoroughly implemented the State Council's "Provisional Regulations on Further Expanding the Decisionmaking Power of State-Owned Industrial Enterprises" and formulated policies and regulations aimed at accelerating the development of urban collective industries and village and town enterprises. In this way we changed the previous management system characterized by excessive centralization and overly rigid control and gave greater authority to enterprises to make their own decisions. Afterwards, we took a giant step in reforming the price and wage system. This brought about an unprecedented vigorous climate for production, commodity circulation, and other economic work in both cities and the countryside. Most enterprises gradually increased their vitality. In particular, the rapid development of collective enterprises and household enterprises, including those established jointly by several households, was beyond our expectations. With regard to opening to the outside world, we began to change the previous seclusion or semiseclusion and switched to an open-type economy by introducing investment from abroad and establishing lateral ties at home. Our foreign trade continued to increase while our economic and technical cooperation with foreign countries and our international exchanges in the fields of science, technology, and culture became increasingly vigorous. New progress was also made in promoting economic and technical cooperation between our province and other provinces and municipalities; such cooperation started with the supply of materials and gradually developed into multilayer, multichannel, and diversified economic and technical cooperation and association, contributing to our province's accelerated economic construction. In addition, we made new attempts to reform our scientific and technological work and education systems and obtained some fresh experiences in these fields. Practice during the Sixth 5-Year Plan has made us aware that reform is a motive force for production and construction in all fields, and that our province's rather fast economic development during that period can indeed be attributed to reform. But, we must be more farsighted and realize the far-reaching importance of reform in our work of building socialism with Chinese characteristics in the next 30 or even 50 years. Since reform in the past 5 years has produced such remarkable results, persistence in continuing reform is bound to bring about a new situation of socialist modernization in our country characterized by even greater prosperity and affluence.

A review of the course we traversed during the Sixth 5-Year Plan shows that our understanding of reform has, in fact, been heightened step by step in the course of practice. At the inception of rural reform, some of our comrades lacked adequate understanding of and were skeptical about the system of contracted responsibilities based on the household with remuneration linked to output. After more than 2 years of practical work in this regard, our comrades' understanding has become relatively unanimous. While carrying out reform in urban areas, epsecially after the commencement of price and wage reforms, the problem of inadequate understanding has again appeared among some comrades. On the other hand, we are not foresighted enough to predict the new problems and contradictions that may crop up. This state of affairs is not surprising, but the important prlblem is that we are not mentally prepared enough to face the difficulties and complexities of reform. Reform is a great cause that no one else practically pursued in the past; it also involves a certain degree of risk. There is neither a ready example to follow nor mature experience to copy. All that we can do is to strive to practice, gain understanding, sum up our own experience, and explore ways to advance under the guidance of fundamental Marxist principles. In particular, under the complicated circumstances where the old and new system coexist and affect each other, some unlawful elements may take the opportunity provided by reform to carry out criminal activities, and certain unhealthy trends may grow if we do not do enough to strengthen our leadership and formulate systems and laws to cope with the new situation. How shall we solve the problems we encounter in our course of advance? Shall we insist on reform and continue to explore new ways to advance, or go back to the old road? Obviously, by retrogressing, we will not be able to find a way out. Only through intensive reform can we find solutions to these problems and create favorable conditions for replacing the old system with the new. We must see the prospects of reform and be mentally prepared to face the difficulties and complexities of reform. Certainly, reform will rejuvenate China and make our country strong and our people affluent, but it is a process that involves hard work. Reform cannot be smooth sailing, nor will every step we take toward reform really benefit everyone. We must properly handle the relationship between the interests of the whole and those of the part and between long-term and immediate interests. We must take a correct attitude toward reform, energetically support it, and unswervingly plunge into this work.

/2. Persist in proceeding from reality, bring into full play our strong points, sidestep our shortcomings, and take the road of economic development in conformity with the situation in our province./

Let us look into our province's economic structure. In industry, the major trades are the manufacture of light industrial products and textiles. Most enterprises are small and collective enterprises, and the vast majority of their products are people's daily necessities. Some high-quality products have a good market at home or abroad and enjoy a fairly good reputation. On the other hand, energy resources, raw and semifinished materials, and transportation facilities are rather inadequate. As for agriculture, the yield per unit area is rather high and diversified operations are relatively developed. However, the problem is that there are many people while farmland acreage is limited. Also, many mountain and marine resources have yet to be exploited. During the Sixth 5-Year Plan, we paid attention to exploiting the strong points of our light industry and our small and collective enterprises as well as of the diversified operations in rural areas. This had a great positive effect on enlivening our economy and developing commodity production. Take industry for example, light industry and small and collective enterprises, because of their flexible operations, can utilize two favorable conditions available in our province--the relatively abundant supply of farm produce, which is a source for raw materials, and the vast labor force. For this reason, in implementing the principle of "readjustment, restructuring, consolidation, and improvement," we have put the development of light and textile industries to the fore and carried out the guideline of "six priorities" in appropriating funds and in supplying energy as well as raw and semifinished materials to these industries. In the meantime, a series of measures have been taken to give active support to the development of neighborhood industries in urban areas as well as of village and town industries. At present, the output value of collective industries exceeds that of state-operated industries in the province. Economic development of such cities and counties as Shaoxing, Yinxian, Xiaoshan, Yuyao, and Haining has been faster than that of others because they are giving full play to the superiority of rural industries. Considering local economic conditions, Wenzhou City has made great efforts to develop household industry, partnership household enterprises, and all kinds of small commodity markets, and has initially created large markets for small commodities. While giving full play to our strong points, we have also taken into account our shortage of energy resources and raw and processed materials and the strained transport situation, and started a number of key construction projects in accordance with the state plan, such as a berth for 100,000-metric-ton ships and a harbor railroad at Beilun harbor, the urea plant of the Zhenhai petrochemical general plant, the Zhejiang polyester plant, the Taizhou power plant, and the Zhenhai power plant. These projects, after having been completed and put into operation, will be of great significance to Zhejiang's economic development.

Giving full play to strong points, making up for weaknesses, and gradually readjusting the production structure is a long and arduous task. Faced with intense market competition, if our enterprises, particularly town and village enterprises, fail to speed technological transformation, improve management, improve product quality, reduce consumption, and actively train qualified personnel, our strong points in light industry and in small and collective enterprises will weaken and become unable to meet the changing situation. We have built some energy, communications, and raw and processed materials industry projects, but the strained situation in these areas has still not fundamentally improved and it is necessary to make greater efforts. At the same time, we should also make great efforts to strengthen our building industry, commerce, transport, service trades, and tertiary industry to further rationalize the production structure and ensure steady and balanced economic development.

/3. Maintain steady growth so that better economic results will be achieved./

During the Sixth 5-Year Plan, our province's total industrial and agricultural output value increased at an average annual rate of 17.8 percent. In 1985, the increase exceeded 30 percent. The increase resulted from many positive factors. For instance, the economic structure reform aroused the initiative and creativity of enterprises and the masses, technological transformation projects undertaken several years ago gradually yielded effects, and some new projects were completed and put into operation. However, the increase was also due to some special and abnormal factors, such as stimulation by overinvestment in fixed assets and a sharp increase in imported raw and processed materials and assemblies. These abnormal factors adversely affected the macroeconomic balance. Some enterprises and localities blindly vied with each other to expand the scope of capital construction and increase consumption funds, and caused strains in communications, a shortage of energy, raw and processed materials, and funds, and a sharp rise in commodity prices. We must remember this lesson.

Economic development must be kept at a proper speed. Proper economic growth is needed to enhance our national strength and improve the people's living standards. A stagnant economy will adversely affect market supply, revenues, and the development of science and technology, education, culture, public health, and other social undertakings. However, if we blindly seek a high growth rate and expand the scope of capital construction without regard to objective conditions and the capabilities of the state and society, strains will result. In such a case, the high growth rate will not last long. Sharp increases or decreases in growth are extremely harmful to economic development. Therefore, we must clearly understand that what we need is economic growth achieved through improving management, accelerating technological transformation, tapping potentials, and improving economic results. Economic growth achieved in this manner is real and highly beneficial; it is the proper kind of growth, the kind we are after. For this reason, we should not blindly seek a high growth rate when the situation is good. Nor should we hesitate to press forward and slacken our efforts when the going is tough. In dealing with the growth rate issue, we must assume the scientific attitude of seeking truth from facts, fully consider our needs and capabilities, and seriously study objective conditions and the subjective factor of effort. The objective conditions include such essential elements as wnergy, materials, funds, and transport. The subjective factor of effort means human initiative and creativity, including efforts to improve management and quality, reduce consumption, reduce waste, and increase labor productivity. When objective conditions permit, we should display our subjective initiative to the maximum extent, bring into play the initiative and creativity of dealers and producers, and ensure a proper and steady economic growth rate.

/3. Persist in putting scientific and technological progress and education development in important strategic positions; coordinate development of scientific, technological, and educational undertakings with economic construction; and beef up the reserve force for the four modernizations./

During the Sixth 5-Year Plan, while attaching great importance to economic construction, provincial leaders at all levels became more and more aware of the importance of scientific and technological progress and intellectual resources development to economic construction and began to establish the concept that economic construction must rely on scientific and technological progress and education development. First, they broke free from the outworn concept of despising knowledge and looking down on intellectuals, seriously implemented the policy toward intellectuals, and succeeded in recruiting and employing a large number of talented people of real ability and learning, including capable persons who, although without college diplomas, are really capable in practice. Second, many economic departments and enterprises cooperated with scientific research and education units both inside and outside the province in integrating production with scientific research and education. They made joint efforts to serve economic construction by employing advisers, making technological transfers, providing periodic consultations, and adopting other ways and means. Governments at all levels, urban and rural enterprises, and various social circles all lent support to education and helped schools solve practical problems and improve teaching conditions. Comrades in the scientific, technological, and education departments also came to realize from practice that education, science, and technology must meet the needs of economic construction and social development and contribute to the four modernizations.

We must also realize, however, that our current science, technology, and education are still relatively backward and unable to meet the needs of economic construction and social development. In science and technology, our efforts are scattered, scientific research work is at a low level and being duplicated, and scientific and technological achievements cannot be translated promptly into production results. In education, we have lopsidedly chased after a high rate of students passing entrance examinations and entering schools of higher level, a large part of the education funds are spent on personnel expenditures, the schools lack funds for improvement, the educational and professional levels of some of the teachers are low, and the quality of students they have trained fails to meet the requirement of national construction. Therefore, we must have a sense of urgency in accelerating the development of science, technology, and education. We must actively promote structural reform in scientific, technological, and education departments and solve some problems in a down-to-earth way, thereby providing economic and social development under the Seventh 5-Year Plan with a still stronger reserve force.

II. The Basic Mission and Major Tasks of Economic Construction Under the Seventh 5-Year Plan

The Seventh 5-Year Plan serves as a link between the past and the future. Success in these 5 years is of great significance in consolidating and exploiting the new situation opened up during the Fifth 5-Year Plan and in laying a good foundation for economic revitalization in the 1990's and fulfillment of our strategic goals by the end of this century. In compliance with the general requirement of building socialism with Chinese characteristics and the basic principle of invigorating the domestic economy and opening to the outside workd, and in accordance with the National Seventh 5-Year Plan and Premier Zhao Ziyang's report on the Seventh 5-Year Plan, the general guiding principles for our province's Seventh 5-Year Plan are: To promote reform and development with more reform and development, to bring into full play our economic strong points, to ensure the construction of key projects, to improve the industrial structure, to strengthen the agricultural base, to accelerate scientific and technological progress and intellectual resources development, to raise economic results, to beef up the economic reserve force, to continue improving the livelihood of both urban and rural residents, and to promote socialist spiritual construction.

We have established this guiding principle mainly in consideration of the new circumstances and needs confronting us during the Seventh 5-Year Plan. These circumstances and needs are: First, the Seventh 5-Year Plan marks a period of full-scale reform of our economic structure. During this period, we must make further efforts to bring the various economic sectors into balance and put the new economic system in a dominant position. Basically, we should lay the foundation for a new socialist economic structure with Chinese characteristics. Second, the state-sponsored key construction projects to be built in our province during the Seventh 5-Year Plan period are of an unprecedented scale as far as projects in our province are concerned. To exploit the favorable conditions of our province's coastal ports, the state has decided to make a large amount of investment in our province even under the present circumstances when the scale of investment in fixed assets still has to be controlled. This means that an added responsibility has been placed on our province in developing the national economy. We should take it as one of our major tasks to have these key construction projects completed successfully. Third, the Seventh 5-Year Plan not only calls for construction work on a larger scale, but also requires that our production structure be further improved and our economic efficiency and technological competence be raised to a new level. Under these circumstances, we should step up our efforts to develop energy and other basic industries, actively explore new production undertakings, speed up technological upgrading, and improve operations and management while continuing to give full play to the strong points of our diversified rural economy and our light industry and small and collective enterprises. At the same time, we should continue attaching strategic importance to the development of science, technology, and education. Fourth, based on the experience gained during the Sixth 5-Year Plan, we should continually uphold the principle of "grasping with two hands" and strengthen ideological and political work and the building of the democratic and legal systems in order to ensure the smooth progress of reform and economic construction during the Seventh 5-Year Plan. We should not only continue to improve the people's material life but also take further steps to enrich their cultural life, consolidate and develop the political situation characterized by stability and unity and vigor and vitality, and push the work of building a socialist spiritual civilization to a new high.

Our main tasks and targets for economic and social development during the Seventh 5-Year Plan are as follows:

1. We should give priority to reform, make reform and construction suit and promote each other, and have the old economic structure by and large replaced by a new one.

2. While improving economic efficiency as a prerequisite, we should bring the gross value of our industrial and agricultural production to 100 billion yuan by the year 1990, representing an average annual growth rate of 8 percent. The gross domestic product should be raised to 58 billion yuan, averaging 1,365 yuan per capita. Both of these categories will be making a more than twofold increase over the 1980 figures. Financial revenue should reach 8.5 billion yuan, and expenditure 5.2 billion yuan, an average increase of 7 percent per annum.

3. While energetically stepping up the technological transformation of our present enterprises, we should concentrate our efforts on key construction projects and see to it that development of agriculture and the processing industry is coordinated fairly well with the development of energy resources, transportation, the raw and semifinished materials industry, and other basic industries as well as with infrastructural construction. Moreover, there should be a conspicuous increase in our economic strength.

4. We should further boost our capabilities of opening to the outside world and earning foreign exchange through exports. By 1990, our foreign exchange earnings through exports should reach $1.4 billion. In addition,

we should see to it that opening of the coastal areas to the outside world helps develop the interior, and that their lateral economic ties are strengthened to a great extent.

5. We should continue to energetically develop efforts in science, technology, and education. Emphasis should be placed on solving 35 key problems in science and technology and promoting the application of 50 new technologies. Basically, in the part of our province where inhabitants account for three quarters of our population, the 9-year compulsory education system should be put into effect. In addition, 140,000 people should be given college education.

6. Further efforts should be made to improve the people's living standards. The actual consumption level of both urban and rural people should be raised by about 25 percent. The natural population growth rate should be controlled at a level below 10 per 1,000.

7. We should further improve the socialist democratic and legal systems and effect a fundamental turn for the better in standards of social conduct and social order.

In view of the demands in our province's Seventh 5-Year Plan, emphasis should be put on the following main tasks in economic construction:

/1. Continue to strengthen agriculture as the foundation of the economy and further promote the all-round development of the rural economy./

During the Seventh 5-Year Plan, economic construction will be carried out on a large scale, all undertakings will be further developed, and our population will gradually increase. All these necessitate a new stage of agricultural development. At the moment, our agriculture still lacks a sound foundation. There are many factors restricting the further development of our agriculture. Examples are: the bad condition of a number of irrigation works, the reduced acreage of arable land, the loss of land fertility, the lack of new breakthroughs in agricultural science and technology, and the dwindling enthusiasm on the part of some peasants for farm work, especially for growing grain crops. Governments at all levels should make a serious effort to strengthen their leadership over agriculture, while people of all walks of life should take it as their major task to support agriculture. They should really regard agriculture as the foundation of our economy and strengthen it in all conceivable ways. Besides making continued efforts to deepen rural reform and implementing the necessary policies to arouse the peasants' initiative, we should orient our efforts in agricultural development from now on toward relying more on science and technology, increasing the funds and materials put into agriculture, and providing better conditions for production. In addition, we should continue to readjust the rural production structure step by step and take the path of comprehensive development, intensive farming and processing, multiple increase in value [duo ci zeng zhi 1122 2945 1073 0237], preservation of the ecological balance, and promotion of self-sustained growth.

Making continued efforts to grasp grain production so as to ensure a steady increase in our grain output remains a task of prime importance in agricultural production for the Seventh 5-Year Plan period. According to the requirements set in the Seventh 5-Year Plan, we should become basically self-sufficient in grain supply and should have suitable varieties of grain. The average annual output should be 4.4 percent higher than under the Sixth 5-Year Plan. By 1990, our grain production should reach 17.5 to 18.5 million metric tons, exceeding the 1985 output by 1.3 to 2.3 million metric tons. When this target is met, the per-capita average is still not very high. Therefore, we should keep the acreage of grain fields stable, highly treasure our arable land, and strictly prohibit the misuse of such land for other purposes. We should continue to keep to the policy of using industry to subsidize agriculture, using sideline production to foster agriculture, and using cash crop cultivation to support grain cultivation. At the same time, we should make every effort to raise the output per unit area of land and continue to adopt measures aimed at transforming low-yield land, opening new commercial grain production centers, and developing high-yield fodder crops.

By stressing grain production, we are by no means going back to the beaten track of only grasping grain. What we need to do is to readjust our production structure in an active yet reliable way and fully implement the principle of "never relaxing grain production and actively developing diversified operations." In readjusting our production structure, we should not change the acreage of our grain fields. The main task in this regard is to explore new ways to promote production other than by changing our arable land. In accordance with the resources available and the economic conditions in various localities, we should make energetic efforts to develop such undertakings as farming using multitiered planting structures in greenhouses, engaging in agriculture for earning foreign exchange, and making farms and plantations double as tourist attractions. At the same time, we should develop secondary and tertiary industries. In developing agriculture, we should take all parts of the province into consideration. This means we should explore and exploit to the full all barren mountains, water areas, beaches, and islands for developing those crop-cultivation, animal-breeding, or aquaculture projects that can utilize local resources to turn out products required by the domestic or international market. It is necessary to continue to readjust the structure of forestry production and speed up its development by combining our weaknesses and strong points and developing forestry in a comprehensive way. Efforts should be made to promote fishery; and, while stabilizing offshore fishing to preserve our resources, we should strive to develop oceangoing fishing as well as seawater and freshwater aquiculture. Intensive processing and comprehensive utilization of farm and subsidiary products for the purpose of multiplying value is an exploitative undertaking with great potential. All agricultural, urban, commercial, and scientific and technological departments should pay close attention to development and research in this undertaking, step up efforts to popularize scientific and technological achievements, and mobilize and organize more scientific and technical personnel to work in the countryside for the all-round development of the rural economy. Each locality should select a few key products, set up production bases for them, and create a chain services comprising technical guidance, processing and packing, and storage and marketing. At present, supply and marketing cooperatives in some localities have set up service industries, which have brought about closer relations between agriculture and commerce through utilizing and processing farm and subsidiary products and exploiting natural resources, thereby invigorating the cooperatives themselves. It is necessary to actively popularize such experience of supply and marketing cooperatives and strengthen the leadership over them so that they can better serve the development of the commodity economy in rural areas.

Material investment should be increased in both grain production and diversified undertakings. The province, cities, and counties should spend as much funds as possible on agriculture, appropriately increase loans for peasants, and, more importantly, encourage peasants to rely on their own accumulation in expanding agricultural investment, carrying out farmland capital construction, and gradually improving production conditions.

Developing village and town enterprises is the only way to invigorate the rural economy. During the Seventh 5-Year Plan, it is necessary to consolidate and upgrade village and town enterprises in line with the principle of "actively supporting, rationally planning, correctly guiding, and intensifying supervision" with regard to enterprises. By 1990, the total annual output value of village and town enterprises should reach 40 billion yuan, or 40 percent of Zhejiang's gross industrial and agricultural output value, a task that we should not take lightly. To make village and town enterprises more competitive, we should bring into full play their advantages in flexible management and strong adaptability. It is necessary to transform the competitive relationship between city industries and village and town enterprises into one characterized by mutual dependence, assistance, and cooperation to achieve mutual development. City industrial enterprises, scientific research institutions, and schools of higher learning should help village and town enterprises explore production resources, improve product quality, and raise economic efficiency through transfering technology and products, training skilled personnel, providing information, and raising funds. Special efforts should be made to help underdeveloped areas promote village and town enterprises so that local natural resources can be utilized as quickly as possible. In improving production conditions and carrying out the production on an extensive scale, it is necessary to correctly handle the relationship between accumulation and consumption of village and town enterprises and eliminate the practice of dividing up and exhausting accumulated funds and relying on loans to develop production.

Despite rich natural resources, a large number of mountainous areas and a few islands are relatively backward economically and culturally, and a few of them are still quite impoverished. It is necessary to select cadres with strong dedication to transform the backwardness and to send them there to replenish and strengthen the leading bodies of these localities. To build their capabilities for self-development, it is necessary to adopt realistic policies and measures to introduce advanced management methods, skilled personnel, and technology as well as provide loans to these localities. We should help them exploit their resources by carrying out a number of production projects that need little investment and a short construction period, but are conveniently located and can yield quick economic results, and by developing their transportation, cultural, and educational undertakings. It is necessary to encourage and organize cooperation in various forms between economically advanced and backward areas based on the principle of equality and mutual benefit.

/2. Speeding up Technical Transformation, Improving Business Management, and Raising the Quality of Existing Enterprises./

We will undertake a number of key construction projects in the Seventh 5-Year Plan. However, we should still rely mainly on the existing enterprises if we want to achieve an acceptable economic growth rate and fairly good economic results. Having carried out consolidation and technical transformation in the Sixth 5-Year Plan, the existing industrial enterprises in our province have raised their technical and managerial levels as well as economic results. But on the whole, their quality is still not high, and poor product quality and low economic results are still the fatal weaknesses of most enterprises. In some enterprises the equipment is outdated and it is impossible to upgrade their products to meet the changing demands of the market; while in others, the methods of operation and management are backward, waste is serious, and economic results are poor. Some of these enterprises are incapable of adapting to external changes that might occur, and are incapable of meeting the changing demands. Therefore, all enterprises should give priority to quality and economic results and strive to meet the needs of the market and society. They should encourage workers and staff to act as masters of their own affairs so that each and every worker will be concerned about the enterprise's reputation as well as society's interests. Emphasis should be placed on improving product quality and lowering material and energy consumption while accelerating technical transformation, and emphasis should also be placed on improving business management of enterprises.

In the Seventh 5-Year Plan, 6.5 billion yuan will be used to carry out technical transformation in state-owned enterprises, 45 percent more than the Sixth 5-Year Plan. This is absolutely necessary. The purpose of technical transformation is to improve the quality and performance of our products, provide more designs and varieties, lower material consumption, conserve energy, and produce more readily marketable goods. The emphasis of technical transformation is on the following areas: Increasing the ability of the silk and textile industries to sort out the products after they have gone through the dyeing process; raising the technical levels of the machine-building and electronics industries and enhancing their ability to manufacture auxiliary equipment; increasing the ability of the chemical industry to engage in intensive processing and make comprehensive use of resources; developing the primary raw materials as well as new techniques and methods of packing for the light and food-processing industries; and developing new materials and technologies for the building materials industry. In light of Zhejiang's practical conditions, we should also vigorously promote knowledge- and labor-intensive industries and products that consume less energy, require less shipping, occupy fewer land areas, and create less pollution. To encourage enterprises to carry out technical transformation, preferential treatment should be offered in taxation, credit and loans, and goods and materials. Technology should be imported in a well-planned and selective manner by taking the purpose and areas of emphasis of technical transformation into consideration. Primarily software and crucial equipment will be imported. These should be thoroughly absorbed and utilized. Importation of ordinary processing equipment should be strictly controlled.

Technical progress and the improvement of managerial skills go hand-in-hand. Without advanced management, the best equipment and technology cannot be fully utilized. In the Seventh 5-Year Plan great efforts should be made to improve and modernize business management in enterprises. Having emphasized enterprise consolidation in the past few years, we should ensure the soundness of leading bodies andthe system of production management; perfect the responsibility systems; continue to properly handle standards, metrology, fixed quotas, statistics, and testing work; organize production according to advanced standards at home and abroad; gradually adopt the methods of value engineering, goal and cost management, and comprehensive quality control; and actively train workers, give promotions, create advanced models, and raise the overall quality of enterprises. To encourage enterprises to improve product quality and pay attention to economic results, it is necessary to set the targets for quality, technology, and economic results, in addition to the target for output value. Appropriate policies and measures should be taken accordingly.

Most enterprises not included in the state technical transformation program, village and town enterprises in particular, should make use of their own accumulation and follow Comrade Lu Guanqiu's example in improving enterprise management while spending money to upgrade equipment, train workers, and adopt new techniques to make their products among the best. Governments and departments at all levels should show concern for and support technical transformation in smaller enterprises, and should help solve their practical problems so these enterprises will continue to boost their technical levels and economic results.

All enterprises should give full attention to labor protection and production safety, educate their workers to strictly observe operating procedures, and strive to avoid serious accidents and reduce losses to the people's lives and property.

/3. Build Key Construction Projects Well To Promote Zhejiang's Economic Development./

During the Seventh 5-Year Plan, capital construction investment arranged by the state and province equals about 85 percent of the total investment in all the capital construction projects completed in the past 36 years since the founding of the People's Republic. During the Seventh 5-Year Plan, the scope of capital construction is large with many key projects requiring advanced technology. Many projects are related and make up comprehensive systems. The plan contains 90 key projects, of which 11 deal with energy, 22 are transport projects, and 6 are postal and telecommunications projects. There are also a number of projects for heavy industry, chemical industry, raw materials of light and textile industries, consumer goods industry, agriculture, scientific and technological education, and social development. The investments in projects for energy, transport, telecommunications, and raw and processed materials industry account for 60 percent of the total investment in state capital construction projects. These many key projects will help improve Zhejiang's economic structure and enhance our reserves for further economic development. However, they will also create strains in manpower and financial and material resources. In this sense, our province's Seventh 5-Year Plan is inspiring and, at the same time, a source of tension. Such tension always exists before a structural contradiction is alleviated. How to bear with and tide over such temporary tension and strive to overcome contradictions and difficulties caused by the tension is a major subject worth our painstaking study. We must strengthen leadership and carefully organize and pool manpower, funds, and materials to ensure smooth progress in key capital construction projects. All key projects should be built under a system of division of labor with individual responsibility according to their scope and affiliation. Building time should be rationally kept to a minimum in order to improve the investment results. We should select and put the best personnel to work at the forefront of construction, just as we did to supportthe construction of China's 156 key projects in the 1950's. All localities and departments should deem it their glorious duty to support the construction of key projects. The localities where key projects are built should make more contributions, particularly in funds, materials, and logistical support.

The key projects are determined by the state according to the strategic needs of economic development and according to our economic and natural conditions. They are conducive to tapping the potential of the coastal ports of our province. Now, everyone hopes the state will build some key projects in his locality. Such a hope is justified and understandable. However, our country's financial and material capabilities are limited. If we build everything we need at the same time, our financial and material resources will be dispersed, and it will hurt both the provincial and local interests this way. We should know that although the key projects are built in certain places, their benefits will be felt throughout the whole province, and they are in the interests of all the people in the province. Mutual reliance exists between key regions and ordinary regions, between coastal areas and inland areas, and between old industrial districts and new industrial districts. Key regions should on their own accord develop associations with other regions and move some suitable factories to inland regions. The regions not covered by key projects are not in a state of inertia either. They can take the opportunity to develop production of building materials, equipment for key projects, hardware, and nonstaple food according to local conditions, and can provide construction workers to actively serve in the construction of key projects. In this way they will make contributions in support of the construction of key projects, and at the same time promote local economic development.

The shortage of funds and materials is a conspicuous contradiction of the Seventh 5-Year Plan. In order to solve the contradiction, we must properly use the state investment and rely on local efforts to increase financial and material resources and conserve consumption. We should learn how to accumulate and spend funds. On the one hand, we should raise funds and materials in various ways--such as through encouraging savings deposits, through pooling resources to run power plants and raw and processed materials industry, and through acquiring investment from outside the province and from foreign sources. On the other hand, we should continue to control the scope of local investment in capital construction, seriously examine and readjust the projects under construction, rationally use funds and materials, ensure the completion of key projects while taking good care of other projects, do what we are capable of, and stress practical results.

/4. Do a still better job in developing the work in science, technology, and education to serve the needs of economic construction./

During the Seventh 5-Year Plan, we should persistently attach strategic importance to making advances in science and technology and developing intellectual resources and see to it that new progress and improvement are made in our work in science, technology, and education, not only in quantity but also in quality, so as to meet the needs of economic construction.

There are many tasks to be done in the field of science and technology. During the Seventh 5-Year Plan, we should, in particular, give attention to broadening the application of fruitful results we have achieved in scientific and technological research and making joint efforts to solve key problems in science and technology. From among the fruitful results we have achieved in scientific and technological research, we should select those that can produce quick and great benefits and apply them to production as soon as possible by processing them through the science and technology market or integrating scientific research and production. This should include the application of new technologies in transforming traditional industries, and is intended to have the achievements of science and technology quickly translated into productive forces. Serious efforts should be made to carry out the "Spark Plan" projects sponsored by the state and by our province. Meanwhile, scientific and technological research personnel from all quarters should be organized to work together on key projects concerning our province's economic construction and social development. In natural science, emphasis should be put on making joint efforts to solve the 35 key problems that have a significant bearing on our province's development, such as the development of the Ningbo deepwater port, new techniques for breeding and cultivating staple crops, new silk products, and application of bioengineering to agriculture, industry, and medicine. Apart from this, continued efforts should be made to strengthen basic research. Insofar as our capabilities permit, we should also embark on new- and high-technology research and try to achieve some results in this respect.

Social science research should be geared to the needs of reform and the four modernizations. By actively applying the basic principles of Marxism, we should boldly probe and study in depth the major theoretical and practical questions encountered in socialist modernization, especially important issues concerning our economic structural reform and strategies for our economic, scientific, technological, and social development, so as to serve the needs of leaderships at all levels and of all departments in making policy decisions.

Advances in science and technology and development of intellectual resources depend on education as the foundation. Our province has decided to earmark 4 billion yuan for education during the Seventh 5-Year Plan. This is 90 percent more than the amount for the Sixth 5-Year Plan. Governments at all levels and their education departments should use this money properly so as to achieve the intended beneficial results. It is necessary, if at all possible, to appropriate some funds to support the education work in mountainous areas, on off-shore islands, and in other places faced with economic difficulties, give them assistance in creating better conditions for running schools, and help them train teachers or send some teachers to work in their place. At the same time, members of democratic parties and people of all communities should be encouraged to establish various kinds of schools as a way to contribute more to the development of education. We should seriously implement the "Law of Compulsory Education of the People's Republic of China," attach great importance to the education of teachers, enlarge their contingent, raise their quality, carry forward the social mood of respecting teachers and paying attention to education, and create necessary conditions for popularizing the 9-year compulsory education system. Importance should also be attached to kindergarten education. Active efforts should be made to develop secondary vocational and technical education. In this regard, we should put emphasis on spending more efforts to improve quality, overcome the idea of despising vocational and technical education, and further implement the policy of training people before hiring them. In higher education, we should concentrate our efforts on consolidating, improving, and building support facilities for existing colleges and universities, and in general not build new schools of higher learning. It is necessary to systematically readjust the level and mix of specialities of existing colleges and universities, and lay special emphasis on developing specialities of practical use, such as finance and economics, management, medicine and pharmacy, political and legal sciences, and tourism, which are in great demand. Efforts should be made to actively promote adult education in various forms, mainly sparetime adult education. Satellite TV education should be considerably expanded. In adult education, we should focus attention on strengthening political and technical training of workers and staffs, and refrain from placing undue emphasis on getting a diploma. In order to gear ourselves to meeting the needs of modernization, schools of all types and at all levels should improve their teaching programs and methods, give top priority to raising teaching quality and training qualified personnel, and overcome the gap between the training of personnel and the needs of the modernization drive as a result of overemphasizing the importance of having a larger proportion of students going to higher-level schools.

/5. Do a better job in opening to the outside world, and build up the capabilities to earn more foreign exchange through exports./

During the Seventh 5-Year Plan, the coastal open cities and areas should do a better job in opening to the outside world in line with the arrangements and demands made by the State Council. In view of its large-scale development, Ningbo City should earnestly carry out the planned construction projects, strive to build more technology-intensive projects to produce mainly export commodities or commodities that may substitute for imports, and combine the development of the new city area with the transformation of the old one. Wenzhou City should give top priority to water and air transport, step up infrastructural construction, and improve the investment environment. Hangzhou City should make maximum use of its tourism by building more tourist facilities and developing some high-grade electrical and mechanical engineering products and consumer goods for daily use, thereby bringing into play its role as a "window" for economic and technical exchanges with foreign countries. Jiaxing and Huzhou cities should intensify technological transformation of existing enterprises and construction of export commodity bases in accordance with the demand to promote export trade. All open cities and areas should, for the purpose of increasing exports and earning more foreign exchange, expand economic, trade, and technical exchanges with foreign countries, and make positive use of foreign capital to import technology. They should also earnestly improve import work, use their foreign exchange earnings rationally, concentrate on using imported capital, technology, and equipment to upgrade existing enterprises technologically and on building up the capability to earn more foreign exchange through exports, and do everything possible to increase the economic yield of foreign capital.

The key to further opening to the outside world is to increase exports and earn more foreign exchange. In view of Zhejiang's large variety of export commodities and great potential, we should strive to greatly increase our foreign trade during the Seventh 5-Year Plan. According to the plan, Zhejiang should increase its foreign exchange earnings at an average of 11.7 percent annually in comparable terms. To achieve this target, we should focus our attention on the work in the following three fields: First, it is necessary to do our utmost to earn more foreign exchange by exporting quality goods and boosting their ability to compete on the international market. We should strive to improve the export commodities mix and, while continuing to promote exports of traditional farm and sideline products, develop new export products on the basis of international market demands. We should also actively increase the proportion of manufactured goods among export commodities, especially the proportion of electrical and mechanical engineering equipment, electronic devices, and nonmetallic products. Second, it is necessary to combine foreign trade with increased production in industry and agriculture and introduction of new technology by gradually setting up export commodity bases and special plants and workshops of various kinds and specific characteristics to increase the production of export commodities. It is necessary to implement policies and provide incentives to encourage the production of export commodities and actually benefit workers and staffs of enterprises that earn more foreign exchange by increasing exports. Third, it is necessary to improve the management of foreign trade and actively explore the international market. We should devote more time and energy on studying and surveying the international market, familiarize ourselves with the changing demands of the international market, do good publicity work for our export commodities, and expand the export commodity marketing network. We should raise the professional competence of our foreign trade personnel, improve management and operations, keep our promises, and provide good services. Moreover, it is necessary to take advantage of our large number of skilled workers to contract for more construction and installation projects and increase our labor service exports to foreign countries.

Developing tourism is an important way to promote economic, technical, and cultural exchanges with foreign countries, as well as an important source of foreign exchange. We should strive to receive more than 500,000 foreign tourists by the year 1990, 83 percent more than in 1985, and to earn U.S.$50 million from tourism, doubling the 1985 figure. With Hangzhou as the center, we should strive to link up the tourist routes in eastern, western, and southern Zhejiang. Tourism should be promoted as a comprehensive and important industry. We should conscientiously formulate plans to develop tourist attractions, protect scenic spots and cultural relics, build tourist facilities, produce tourist souvenirs, and improve quality of service. By promoting tourism, we should be able to boost the development of the catering services, transportation, arts and crafts, cultural performances, and entertainment.

/6. Continue To Improve the People's Livelihood on the Basis of Increased Production./

To constantly improve the people's material and cultural lives is a fundamental goal of socialist production, as well as an important task for the people's governments at all levels. The Seventh 5-Year Plan requires that the annual per capita net income of peasants in Zhejiang increase by about 7 percent, and the per capita wage of workers by about 5 percent. Improvement in the people's living standards should be based on an increase in production. It should conform to the realities of our nation and fall within our capabilities. Unilateral stress on production and construction, to the neglect of an improvement in the people's livelihood, will not work. However, if the increase in consumption is faster than that in production and labor productivity, resulting in excessive consumption [chao qian xiao fei 6389 0467 3194 6316], this would not work either. It is necessary to correctly guide the people in urban and rural areas in satisfying their needs and, in consumption in their daily lives, continue to develop the fine tradition of "waging a hard struggle and building the nation through diligence and frugality." In matters related to food, clothing, utilities, and housing, we should take China's conditions into consideration. We should refrain from publicizing the impractical view of high-level consumption. Consumption funds should be distributed in accordance with the principle of "to each according to his work" in order to overcome egalitarianism. Efforts should be made to avoid wide discrepancies among enterprises, and members of society.

It is necessary to establish and perfect the social security system. The comprehensive plan for old-age pensions should first be tried out in collective-run enterprises in urban and rural areas. In cities where conditions permit, this plan can also be tried out in state-run enterprises. We should continue to give special care to disabled servicemen, as well as family members of revolutionary martyrs and servicemen, do relief work, and promote other social welfare programs.

It is necessary to strengthen city construction, systematically improve traffic and housing conditions, and speed up construction of cultural, public health, and sports facilities, as well as commercial establishments, to constantly improve the people's livelihood.

Practicing planned parenthood, protecting land resources, and improving ecological environment is a basic national policy which should be implemented for a long time to come. In the Seventh 5-Year Plan, Zhejiang will reach the peak of marriage and childbirth. To fulfill the population control plan is an arduous task, which should never be relaxed. We should continue to encourage late marriages, popularize eugenics and improved child-rearing methods, urge married couples to have only one child and strictly forbid unplanned and multiple births. Land management should be strengthened in accordance with the law. Land for nonagricultural use should be earnestly investigated and analyzed. Resolute efforts should be made to stop unscrupulous occupation and misuse of arable land, as well as other illegal practices. Protection of forest, mineral, and water resources should be improved. Environmental protection should be expanded, old pollutants eliminated, and new ones strictly controlled, so that economic and social development develop hand in hand with population growth, land resources, and ecological balance.

III. Continue To Conduct Intensive and Systematic Economic Restructuring

To realize our province's grand goal for the Seventh 5-Year Plan period, the key task is to continue and intensify the various reforms--especially to smoothly resolve new problems arising during the period when the old economic system is being replaced by the new one.

The aim of the economic restructuring during the Seventh 5-Year Plan period is to step-by-step effect the transition from the old system to the new one and lay a good foundation for establishing a socialist economic system that meets the development needs of a planned commodity economy, has

Chinese characteristics, and is full of vigor and vitality. There are three major tasks involved in this economic restructuring. The first task is to make further efforts to increase the vitality of enterprises, in particular the state-run large and medium-sized ones, and enable them to become comparatively independent economic entities and socialist commodity producers and sellers, doing their business independently and being responsible for their own losses or profits. The second task is to further develop the socialist commodity markets and gradually establish the market system. The third task is to gradually change the state's largely direct control over enterprises into largely indirect control and establish a new socialist macroeconomic management system. These three tasks are mutually related and constitute an organic whole. The pivotal task in urban reform is to invigorate enterprises. Only when enterprises are vigorous is the entire society vigorous. The aim of reforming the market system is to provide enterprises with an external economic environment which both stimulates and motivates. On the other hand, the aim of the state's macroeconomic management reform is to ensure that enterprises' economic activities meet the requirements for development of the macroeconomy even more fully. The new economic system can assume the dominant position only when the reform in these three aspects has been meticulously accomplished.

In accordance with the principle of "consolidation, assimilation, replenishment, and improvement" issued by the party Central Committee and the State Council regarding the reform this year, the major task in 1986 is to mainly consolidate and assimilate the achievements already made, retain what is advantageous, and discard what is disadvantageous, and, through replenishment and improvement, gradually make all reform measures complement each other in order to create the conditions for larger-scale reforms in the next 2 years.

The major task in this year's economic restructuring is to make further efforts to increase the vitality of enterprises--particularly the state-run large and medium-sized ones. All enterprises must understand that as reform is being intensified, their own responsibilities will become heavier. They must properly exercise the self-decision power, perfect the system of responsibility for plant directors (managers), constantly improve their management, firmly establish the economic responsibility system, and make still greater contributions to the state and people by improving enterprises' quality and satisfying the demands of the market and the society. Governments and departments concerned at all levels must continue to implement the related policies and regulations formulated by the State Council and provincial government, further simplify their administration, delegate power to enterprises, and create good external conditions for invigorating enterprises. Screening must be continued for all the "four-no" companies--"centers" which have no capital of their own, no regular employees, no fixed business site, and no regular, categorized business. All unnecessary and obstructive intermediate links must be abolished. In accordance with state regulations, regulation taxes should be reduced or exempted for some enterprises and the depreciation rate of equipment should be increased in order to enhance enterprises' ability to transform themselves and develop on their own.

Another important task in this year's economic restructuring is to greatly develop lateral economic associations. Such associations not only yield results and generate productive power, but are also of tremendous significance to urban and rural reforms. They will break through departmental and regional obstructions and gradually create trans-departmental and trans-regional associations, which are an objective necessity in developing of the socialist commodity economy. Lateral associations must support enterprises' independent decision-making power and adhere to the principle of voluntary participation and mutual benefit. Departments in charge and corporations must enthusiastically support their subordinate enterprises to develop lateral associations and must not infringe upon their decision-making power. Associations may be multifarious in form. Associations should be encouraged between raw and semifinished materials-producing centers and processing enterprises, between production enterprises and research, educational units, between civilian and military enterprises, between industrial, agricultural, commercial, and trade enterprises, and between enterprises of different ownership, such as state-run and collective enterprises. At present, it is necessary to energetically encourage institutions and enterprises to join efforts to develop energy sources, transportation, and production of raw and semifinished materials, export products, and daily-use consumer goods currently in short supply. Governments and departments at all levels must firmly implement the State Council's "Regulations on Some Problems in Further Promoting Lateral Economic Association," encourage such associations in policies on funds, taxes, supply of raw and semifinished materials, and commodity marketing, and protect such associations by law. No department or region should place obstacles to association between enterprises because of its own interests. Enthusiastic support should be given to new enterprises and groups of enterprises emerging from associations, and assistance should be rendered to experimental associations in order to accumulate experiences.

In accordance with the State Council's plan, there will be no drastic commodity price readjustment this year. To maintain a general stability in commodity prices, only minor readjustments will be made in certain prices which are conspicuously irrational. We must intensify market price control; all localities and units must not exceed the bounds of authority and raise prices without permission. State-operated businesses must actively take part in regulating and stabilizing market prices. Business administrative and price departments must exercise more efficient supervision over commodity prices.

In regard to rural reform, we will continue to improve the household-based contract system that links payments to output, and we should continue to promote the contract system so that needed services will be available before, during, and after production. The principal function of the rural cooperative economic organizations is to provide needed services. Through providing information and services in the fields of supply and marketing, production, scientific and technical know how, and so forth, all government organs and relevant departments should promote agricultural, industrial, commercial and other undertakings. They should support all types of economic and specialized associations and other cooperatives in the rural areas in developing commodity production. The contract system is a good way to integrate commodity production in the rural areas with state plans and market needs, and we should consider popularizing and improving the contract system and stabilizing production-marketing relations an important matter in organizing commodity production in the rural areas. To ensure the smooth progress of rural reform and various other projects, we must attach great importance to establishing grassroots organizations in the rural areas.

Reform in the circulation sphere must continue. We must continue to implement the policy of promoting state, collective, and individual operations, at the same time giving full scope to the leading role played by state-sponsored commercial operations. We should actively experiment with new commercial operations--interregional and interdepartmental operations that integrate industrial, commercial, and agricultural sectors in one way or another--in order to promote production-marketing integration and purchasing-marketing integration among industrial, commercial, and material supply enterprises, and to promote direct, multichannel circulation. We should continue to do a good job in reforming supply and marketing cooperatives and credit unions in order to further stimulate commodity circulation.

Reform of scientific and technological management and the educational system must keep pace with economic reform. In accordance with the needs of economic and social development during the next 5 years, research and educational establishments must correct the situation where research and education are incompatible with economic development. By means of technological transfer, training of proficient personnel, and cooperation in developing new products and new technologies, the research and educational establishments should promote lateral ties with producers. This would allow them to disseminate their advanced technical know-how more effectively, know where to concentrate research efforts and what kind of personnel are needed, and improve their curricula and teaching methods.

The experiences of reform gained in implementing the Sixth 5-Year Plan show that, in addition to properly handling the relationship between reform and construction, we must also properly handle the relationship between intensifying macroeconomic control and stimulating microeconomic activities, and the relationship between destruction and construction in order to ensure smooth progress in economic reform.

Intensifying macroeconomic control and stimulating microeconomic activities are important, indispensable aspects of economic reform that must agree with the requirements of establishing a planned socialist commodity economy. In regard to commodity economy, enterprises must become relatively independent economic entities or socialist commodity producers and traders who are responsible for their own profits or losses, and who must respect the law of value, so that the vitality of microeconomic activities can be maintained. And in regard to the planned commodity economy, microeconomic activities must be guided by the state plan so that recklessness caused by market regulation can be avoided. Without macroeconomic control, microeconomic activities cannot really be stimulated; even if they have been stimulated, they cannot last. On the other hand, our macroeconomic control would again be too tight and too rigid if it fails to stimulate microeconomic activities. We must flexibly integrate the two. On the microeconomic side, we must promote lateral economic ties with the power delegated by the State Council and government organs at all levels, actively take part in competition, and continue to promote reform within enterprises, in order to arouse their initiative as much as possible. At the same time, we must voluntarily obey macroeconomic control, paying attention to combining immediate, local interests with long-range, cverall interests. On the macroeconomic side, we must, on the basis of stimulating microeconomic activities, gradually institute an economic administrative system which emphasizes indirect control. Today we must pay special attention to improving macroeconomic control and provide guidance according to the situation in different regions, industrial sectors, or enterprises. There should be no arbitrary uniformity. All government organs, especially those in charge of economic affairs, must shift the focus of their work from setting targets, approving projects, allocating funds and distributing supplies to making overall plans, upholding policies, coordinating operations, providing services, and exercising economic regulatory means and efficient supervision.

The change of the economic system and structure is a process of eliminating the rigid old structure and setting up a new one which is full of vitality and vigor. In order to guarantee an orderly progress of the reform, we must organically combine construction with destruction, pay more attention to construction and ensure that all measures for reform are mutually reinforcing. During the Seventh 5-Year Plan period, we must lose no time in learning how to administer economic management with indirect control as the principal measure, continuously improve economic regulatory measures, and strengthen economic laws and regulations and economic judicial work. We must use pricing, taxation, credit, interest rates, industrial and commercial administration, auditing, econometrics, and other economic and legal means, in addition to the necessary administrative measures, to control and regulate the economy. Following the changes in administrative functions, the various government organs must gradually carry out reforms and strengthen their economic management and supervision departments. They must adequately simplify and merge their professional departments, and separate governmental functions from business management. Government functionaries at various levels must fully realize the need to facilitate this kind of change. They must work hard to explore ways to carry out the reform, actively offer suggestions, adopt new measures, and continuously improve their work methods and style. In adopting new measures, we must earnestly carry out investigation and study, repeatedly seek proofs, take safe and reliable steps and strive to do a good job in coordinating with each other.

IV. Further Strengthen Socialist Spiritual Civilization

During the Seventh 5-Year Plan period, we must not only take new and firm steps to reform the economic structure and develop the material civilization. We must also exert even greater efforts to develop socialist spiritual civilization, help people raise their cultural qualities and moral standards, and bring about a fundamental change for the better in the social climate.

Our experience in implementing the Sixth 5-Year Plan indicates that in the course of carrying out reform, opening the country to the outside world, and invigorating the domestic economy, it is even more important to strengthen socialist spiritual civilization through our ideological and political work. In order to develop socialist commodity economy, we must respect and make full use of the law of value and attach importance to economic means and economic results. If we ignore this and slacken our efforts in doing ideological and political work, the thought of putting money above all else will prevail in our minds and undermine people's lofty spirit. The reform would inevitably have a tremendous impact on long-established models, traditional concepts, and the force of habits. It would also affect and change the original patterns of economic relations. Reform is also a gradual process. If we do not strengthen our ideological and political work, the measures for reform, no matter how good they are, will also cause misunderstanding and discontent among the people. Some people may also make use of the vacuums which exist while the new system is replacing the old system to make unjustifiable gains for themselves or for their small groups. They may engage in illegal activities such as speculation, profiteering, embezzlement, theft, bribery, swindling, or smuggling. When the country is open to the outside world, "fresh air" will come in. "Flies and mosquitoes" will also come in. If we do not stress the importance of ideological and political work, the decadent ideas of capitalism will corrupt us as a society and pollute our minds. In short, if we do not have the strength of our strong ideological and political work, we will deviate from the socialist orientation in carrying out reform and opening the country to the outside world and fail to achieve our expected goal.

Following the development of our economy and the basic solution of the problem of providing people with adequate food and clothing, the masses, particularly younger people, have even higher demands in material life. At the same time, they have even more pressing needs in spiritual life as compared with the past. They want to study more and they demand rich and colorful activities for culture, sports and recreation. They also want to travel and tour various places. If we ignore this kind of increasing popular demands and refuse to try our best to provide them with the necessary conditions, people may engage in gambling, carry out feudal and superstitious activities, or do something vulgar and disrupt the social order.

We must also realize that to develop spiritual civilization is an arduous and complicated engineering project. It is impossible to complete such a project in a day or two. A moment's ignorance may lead to a gross error which will harm people for a whole generation. When erroneous ideas and unhealthy tendencies are being formed, it is often difficult to detect them. It will be very hard to correct them once they take root. Therefore, we must regard the simultaneous development of the "two civilizations" as a strategic principle which we must uphold over a protracted period. In carrying out the central task of promoting economic construction, we must not for a moment neglect or slacken our efforts to develop spiritual civilization. Nor should we develop material civilization first and promote spiritual civilization afterwards.

An important task of ideological and political work is to conduct in-depth education on the situation and policies among the cadres and ordinary people in light of their thinking and central task over various periods. Currently education should be focused on the study and publicity of the documents of the Fourth Session of the Sixth NPC so as to mobilize the vast numbers of cadres and people to strive for an allround fulfillment of the Seventh 5-Year Plan and the gigantic goal set by the 12th CPC National Congress before the end of this century. We should help the cadres and people review the magnificent achievements scored during the Sixth 5-Year Plan, have a clear grasp of the mainstream of the current situation, enhance their confidence in reform, and raise their consciousness in implementing the party's line, principles, and policies. We should also help them thoroughly understand the basic tasks and guiding principles of the Seventh 5-Year Plan, and thus have a clear picture of the specific tasks and future prospects of each trade and profession, locality, and unit, thereby making the Seventh 5-Year Plan really become a program of action for the large numbers of cadres and people. Firmly grasping the theme of reform while studying and publicizing the documents of the Fourth Session of the Sixth NPC, we must enable the cadres and people to familiarize themselves with the main aspects of reform during the Seventh 5-Year Plan, persist in the general objective and basic direction of reform, organically combine the enterprising spirit of a pioneer in forging ahead with cautiousness and solid work, and correctly integrate immediate with long-range interests and local with national interests, thereby ensuring a healthy development of reform. Since last year, many localities have organized report meetings, and principal leaders at various levels have visited colleges, universities, and some middle schools to attend discussion meetings and listen to public opinion. With a clear objective in mind during the meetings, the leaders answered questions of common concern among the masses, as well as cleared their doubts. This is an effective way of conducting education on the situation and policies, improving leadership workstyle, and encouraging self-study among leading cadres. It should become a system and be continued for a long time to come.

Another important task of ideological and political work is to bring about a fundamental improvement in general social conduct in order to create a healthy social environment for the reform and modernization program. To fulfill this task, much needs to be done, but it can be summarized as cultivating healthy practices and eliminating unhealthy ones. On the one hand, we should energetically commend the exemplary deeds of advanced individuals and units on various fronts, publicize their civilized, healthy, positive, and enterprising spirit and their dedication to modernization, and conduct education, in various forms welcomed by the people, in patriotism and collectivism, in the four cardinal principles, and in communist ideals, morality, and professional ethics. On the other hand, we should earnestly rectify unhealthy tendencies, clamp down on improper activities that corrupt social conduct, and severely punish serious criminal offenses and economic crimes according to the law. In commending and emulating advanced individuals and units, we should stress actual results and guard against formalism, especially the never-ending visits to advanced individuals and units which created a heavy burden on them. In rectifying unhealthy tendencies and striking at serious economic crimes, we should take firm and prudent action, persist in seeking truth from facts, and correctly apply the policy. Those who should be punished according to the law must be duly handled, and should never easily get away with their wrongdoings. At the same time, we should protect the initiative of cadres and people to develop the economy and encourage their boldness in work and their sense of responsibility. It is necessary to check some units, in which healthy practices are not encouraged nor publicized, while unhealthy ones are rampant and not eliminated.

The key to intensifying the building of socialist spiritual civilization and rectifying unhealthy tendencies lies in the exemplary role of leading organs. Most functionaries in our government organizations at various levels serve the people earnestly, and their achievements are remarkable. However, serious corruption does exist in a few localities and units. Aside from an insiginficant number of violations of law and discipline, a rather serious problem can be found in some administrative departments and institutions who have forgotten the fundamental goal that the people's government should serve the people and grassroots, and have used their powers to try, by hook or by crook, to make money, including setting up business and running enterprises, extracting fees without approval, and taking "rebates." Another rather serious problem is the extremely irresponsible bureaucracy which has caused grave damage to the country and the people. These negative and undesirable activities have undermined the prestige of government organizations and corrupted social conduct. Therefore, to bring about a fundamental change for the better in general social conduct, it is necessary to start by rectifying the unhealthy tendencies in leading organs and investigating and handling cases involving economic crimes and dereliction of duty by leading cadres. The provincial people's government and provincial organs, in particular, should set a good example for people throughout the province. Governments at various levels should overcome resistance and support the discipline inspection commission and political and judicial departments in their investigations. Whoever is involved should be punished according to the law and discipline. Government functionaries should not be allowed to shield each other. We are convinced that so long as leading organs and cadres at various levels assume a serious and earnest attitude and make solid and relentless efforts to rectify unhealthy tendencies and investigate major and serious cases, we will surely be able to achieve a fundamental improvement in general social conduct.

The question of cadres' workstyle and general social conduct is ultimately a question of human consciousness. Unhealthy tendencies, violations of law and discipline, and immoral, uncivilized, and unhealthy activities are inseparable from selfishness, backwardness, and stupidity. In the final analysis, the building of socialist spiritual civilization is to help people foster a correct outlook on the world and life, learn the way to scientifically, morally, and aesthetically distinguish between right and wrong, build up their scientific and general knowledge, and combat selfishiness, backwarndess, and stupidity. Governments at all levels, on all fronts, and in all quarters of the community should attach great importance to raising human consciousness. It is necessary to step up and improve the publicity, education, and study of Marxism. Cadres at all levels should diligently study theory, and arm themselves with Marxist theory and the party's line, principles, and policies in order to raise their ability to discern and resist erroneous ideas. As education plays a decisive role in raising human consciousness, schools at all levels and of all kinds should conscientiously implement the policy of developing students in an allround way--morally, intellectually, physically, and aesthetically--and should appropriately increase the amount of manual labor in the curricula. A teacher should impart knowledge as well as ethics to the students so that they can achieve allround development and become a new generation of people with noble ideals, morality, general knowledge, and discipline. In order to struggle against stupidity and superstition, scientists should not only work for economic development, but also strive to popularize scientific knowledge, spreading such natural and social sciences as astronomy, geography, medicine, pharmacy, health, birth control, environmental protection, aesthetics, and law; and people engaged in literature, arts, press, publications, radio and TV broadcasting, and other cultural departments, who shoulder an especially important mission in building spiritual civilization, should provide still more and better intellectual products for raising the general knowledge, moral standards, and ideological awareness of the people.

Intensification of education in democracy and the legal system and popularization of legal knowledge are fundamental ways to prevent crime and coordinate the efforts of all quarters to improve public order. In carrying out work in this field, it is necessary to make the large numbers of cadres and people, especially leading cadres at all levels, familiarize themselves with the laws and conscientiously observe law and discipline. Law enforcement departments should set good, law-abiding examples to ensure that laws are observed, that their enforcement is strict, and that lawbreakers are dealt with.

While accelerating their modernization and regularization and becoming more revolutionary, PLA and People's Armed Police units in Zhejiang have performed their duties diligently and contributed greatly to building material and spiritual civilization, safeguarding coastal defenses, and maintaining public order. On behalf of the provincial people's government and the people of Zhejiang, I extend warm regards and heartfelt gratitude to them. During the new 5-year plan period, we will further improve our work of supporting the Army and giving preferential treatment to army dependents and in settling demobilized and retired armymen, and energetically support the PLA and the People's Armed Police Force in their endeavor to accelerate their modernization and regularization and become more revolutionary. We will also successfully restructure militia organizations, reform their training, and upgrade their equipment.

It is necessary to do a good job in overseas Chinese affairs and the work on Taiwan; further implement the policies regarding overseas Chinese, their relatives, and families of personnel who have gone to Taiwan; and increase the contacts with those overseas in order to revitalize the Chinese nation and promote the great undertaking of unifying the motherland.

Fellow deputies:

Realization of the Seventh 5-Year Plan will bring about tremendous changes in Zhejiang's economic and social outlook, and this concerns the vital interests of the people of the whole province. As this year is the first year of the Seventh 5-Year Plan, the trumpet has already sounded for winning new victories. Realization of the plan will depend on all workers, peasants, intellectuals, cadres, PLA units stationed in Zhejiang, armed police units, public security cadres and policemen, democratic parties, people's mass organizations, and patriots. Our task is formidable. Let us get mobilized and, under the leadership of the CPC Central Committee, the State Council, and the Zhejiang Provincial CPC Committee, work with one heart and one mind and with our wisdom, intelligence, and diligent labor in striving for the victorious fulfillment of the Seventh 5-Year Plan.

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FUJIAN GOVERNOR REPORTS TO 6TH PROVINCIAL PEOPLE'S CONGRESS

Reviews Sixth 5-Year Plan

OW091025 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping made a comprehensive review of the implementation of our province's Sixth 5-Year Plan. He said: During the period of the Sixth 5-Year Plan, our province carried out the principle of readjusting, restructuring, consolidating, and improving the economy. In our foreign economic activities, we carried out special policies and took flexible measures. The targets set in the Sixth 5-Year Plan were met, and gratifying changes appeared in our province's economic and social outlook. The past 5 years were a period marked by a significant advance of our province in exploring ways for urban and rural economic structural reforms. They were 5 years of our province's economy changing from a closed to a semiclosed state, and then to an open state. They were also 5 years of our province's economy being extricated from a poor and slow-developing state and gradually catching up with the pace of the nation's economic growth.

The report states: During the Sixth 5-Year Plan, our province's economy showed sustained, steady, and balanced development at a rather quick pace. Our gross value of industrial and agricultural output increased by an average 12.6 percent annually. The annual growth rate of the gross domestic product was 11.2 percent, and that of domestic income 11.4 percent. All these rates exceeded the national averages. During these 5 years the agricultural output value increased at an average rate of 11.8 percent annually, also higher than the nationwide average for the period. As for industrial output value, the annual growth rate averaged 13.1 percent, surpassing the preset target of 7.2 percent. In particular, production of consumer goods, including food items, textiles, garments, household electric appliances, and daily necessities, all doubled, and their varieties and designs increased remarkably. In the latter stage of the Sixth 5-Year Plan period, we paid attention to tightening macroeconomic control while invigorating the microeconomy, resulting in greater economic benefits for society. At the same time, major economic sectors were brought into balanced development, and the accumulation rate was maintained in the region of 26 percent, a rather reasonable rate. All this played a significant role in ensuring the sound development of our province's economy.

The report states: During the Sixth 5-Year Plan, our province achieved fruitful results in implementing special policies and flexible measures in dealing with foreign economic activities. Our economic relations, trade, and technological exchange with foreign countries and regions were vigorous. Our province had economic and trade relations with 124 countries and regions in the world. The volume of imports and exports totaled $3.39 billion, or 1.5 times the total for the previous 30 years. Contracts for utilizing foreign capital amounting to $800 million were approved, and $300 million of foreign capital was actually put to use during the period in question. A total of 793 contracts for joint investment projects, cooperative projects, and projects exclusively using foreign capital were approved. Of these, 368 have already become operational. We fully exploited one of our province's strong points, namely, it being the native home of a large number of overseas Chinese, by encouraging these overseas Chinese to return to make investments. This brought economic prosperity to those localities that are their native places. In the meantime, we maintained extensive contacts with international banking organizations and used international loans rather successfully in building a number of major projects such as the Xiamen international airport, the Shaxikou hydroelectric power station, and the Shunchang cement plant. The Xiamen special economic zone made conspicuous efforts to strengthen the building of its infrastructural facilities. Fuzhou accelerated its pace of economic development as a city opening to the outside world. In the Mawei economic and technological development zone, initial conditions were created for attracting foreign investment. In the triangular open zone in southern Fujian, plans and arrangements were made to promote production to meet the requirements for developing trade, industry, and agriculture. In addition, our province made considerable progress in obtaining contracts for construction projects in foreign countries, promoting labor cooperation with foreign partners, and developing tourist industry. Also, friendly exchanges with foreign countries increased.

During the Sixth 5-Year Plan, our province made considerable advances in capital construction and technological transformation. The amount of fixed asset investment made in enterprises owned by the whole people during these 5 years totaled 10.2 billion yuan, equal to the total for the three preceding 5-year plans. Capital construction investment projects totaling 7.3 billion yuan were completed. New fixed assets that came into being during this period amounted to 4.9 billion yuan. Forty-four big and medium-sized projects began operation after being fully or partially completed. Building basic energy and transport facilities were emphasized. Progress in technological transformation and technological imports was greatly accelerated. A total investment of 2.64 billion yuan were made in upgrading various facilities. Over 4,000 technological transformation projects, including 320 projects that involved technological imports, were completed during this period.

The report said: The period of the Sixth 5-Year Plan saw improvement in our province's financial condition. Revenue for these 5 years totaled 8.23 billion yuan with an average annual growth rate of 10.3 percent.

Both the increase in revenue and its growth rate were higher than those of any of the previous 5-year plans.

The report continued: The period of the Sixth 5-Year Plan also saw considerable development of science, technology, education, and various cultural undertakings. Our province spent 2.99 billion yuan for operating expenses in the fields of science, technology, culture, and education, the largest sum for such expenses for a 5-year period since the founding of the People's Republic. Achievements were made in solving key problems in science and technology and in applying scientific and technological research results. Awards were given to 252 successful scientific and technological research projects and to 51 other projects that were considered successful in promoting the application of research results. The contingent of scientific research workers continued to expand. In 1985 the number of those engaged in research work on natural science and technology and those engaged in social science research totaled 308,900, an increase of 154,600 above the number in 1980. Education developed at a rapid pace. During the 5 years, 116,600 people graduated from institutions of higher learning and secondary specialized schools. Adult education was in an unprecedented thriving state. Secondary education was restructured to a fairly great extent, and the work of popularizing primary education made new progress. Great achievements were scored in literature and art, press and publication, radio broadcast, movies, television, public health, and athletics.

During the Sixth 5-Year Plan, the market was brisk in both urban and rural areas of our province, and there was remarkable improvement of the people's living standards. The volume of retail sales in the province showed an annual average growth rate of 14.6 percent. During the 5 years jobs were provided to 680,000 people in cities and towns. In 1985 the average amount an urban resident spent on living expenses was 721 yuan, exceeding the 1980 level by 330 yuan. The annual increase in this expense averaged 7.5 percent, after adjustment is made for rises in commodity prices. In 1985 the net income of each peasant averaged 396 yuan, or 224 yuan more than the 1980 figure. The annual rate of increase averaged 16.3 percent, making these 5 years a period of fastest growth of such income since the founding of the People's Republic.

Views Plan to Help Poor Localities

OW090720 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Provincial People's Congress, Governor Hu Ping talked about the planning to help poor localities in old revolutionary base areas, minority nationalities areas, remote areas, and coastal islands and about the regional economic arrangements.

Hu Ping said: The draft Seventh 5-Year Plan has made appropriate arrangements for the development of poor localities in the old revolutionary base areas, minority nationalities areas, remote areas, and on coastal islands.

Hu Ping pointed out: In accordance with the principle of taking full advantage of strengths and reasonably readjusting the economic structure, our local economic arrangements take into consideration both the development of better areas and support for poor areas. The coastal areas where the commodity economy is more developed, the industrial foundation is better, the technical level is higher, and transportation is more convenient are required to develop new pioneering, technology-intensive industries, and develop the economy which is oriented toward the outside. The poverty-stricken mountainous areas where resources are comparatively richer, the technical level is low, and the commodity economy is underdeveloped will be given support in terms of construction projects, funds, and materials as well as in policy, so that they may conduct technical transformation and technological importation faster and have greater ability to develop their economies. We must step up the building of basic facilities in the mountainous areas to promote greater development of the commodity economy there. At the same time, we must develop the lateral economic association between the coastal areas and the mountainous areas, between prefectures, and between cities so that both the coastal and mountainous areas can give full play to their respective strengths, draw from each other's strengths to offset weaknesses and promote each other.

Hu Ping said: During the Seventh 5-Year Plan period, the task to help old revolutionary base areas, minority nationality areas, remote areas, and coastal islands free themselves from poverty and become well off should be listed in the important agenda of governments and departments at all levels as a major task. According to the plan's requirement of "freedom from poverty in 3 years, removal of the labels in 5 years, and offering contributions in 8 years," we must try hard to fulfill it ideologically, organizationally, and in policy measures. Freedom from poverty means in 3 years the per capita net income of all peasant households in poverty-stricken townships and villages will surpass 200 yuan and, by 1990, over 300 yuan. First of all, we must help out those peasants who still have difficulties feeding and clothing themselves property. By removing labels in 5 years some counties which cannot make ends meet yet should have their labels of "financial subsidy recipient counties" removed and should strive to turn in to the state some surpluses. We must do the aid-the-poor work by freeing them from poverty and enabling them to become well off, by enabling both the people and the county to become well off, and by promoting both material and spiritual civilization. We must institute the system of responsibility for the objective of enabling people to be free from poverty and become well off. In addition to the provincial-level organs sending out a group of cadres to poverty-stricken areas to help them out in the first 3 years, the provincial leading cadres of governments at all levels and the provincial-level departments in charge of specialized work must all establish ties with selected localities for helping in shaking off poverty and becoming well off. Such ties should last for a few years and results must be achieved within a set period of time.

Assesses Population Growth Control

OW090835 Fuzhou FUJIAN RIBAO in Chinese 21 May 86 p 1

[Text] Governor Hu Ping, in his report at the Fifth Plenary Session of the Sixth Provincial People's Congress, pointed out that it is a strategic measure to have population growth under control. During the Sixth 5-Year Plan, Fujian Province achieved certain success in family planning, but did not do well in controlling population growth, for the major assessment indicators, such as the birth control rate, natural growth rate, and birth rate, all lagged behind other provinces and municipalities. The population's natural growth rate for the Seventh 5-Year Plan will be maintained at 10.5 per thousand. Since this will be a peak child-beering period, it will be difficult to control population growth.

Hu Ping said: Our province has many people but little land. The per capita farmland is only 7 fen [66.666 square meters]; therefore, it is imperative to control population growth. Otherwise, improving the people's living standard and better carrying out economic and cultural construction would be impossible. During the Seventh 5-Year Plan, governments at all levels must attach greater importance to birth control work by paying equal attention to birth control and economic work at the same time. It is essential to expand the family planning institutions, strengthen the organization of family planning work teams, and set up a sound system of responsibility. This should be gradually carried out in grassroots-level units; it is necessary to patiently and meticulously publicize education among the vast masses in order to constantly enhance their awareness of the need of implementing birth control; it is important to maintain the continuity and stability of all family planning policies as well as to promote the practice of having one child per couple. However, rural couples with practical problems should be allowed second births in accordance with policy. Second and third births in excess of the plan should be strictly prohibited. As the focus of family planning work is in the countryside, birth control should be carried out in conjunction with changing the backward customs and practices of rural areas, as well as with popularizing scientific knowledge, propagating the need of keeping down the birth rate and stressing eugenics in order to improve the quality of the population. It is imperative to make headway in family planning work this and next year so as to actually put population growth in our province under control.

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LI XIMING ADDRESSES BEIJING PEOPLE'S CONGRESS 20 MAY

SK022320 Beijing BEIJING RIBAO in Chinese 21 May 86 p 1

[Text] After satisfactorily fulfilling all items on the agenda, the Fifth Session of the Eighth Beijing Municipal People's Congress was successfully concluded at the Great Hall of the People yesterday afternoon. The congress session called on the people of various nationalities and from various circles throughout the municipality to work with one heart and one soul and to unite as one under the leadership of the party and the government, to display the spirit of the foolish old man who moved the mountain and the pioneering spirit, to actively join in the great practice of the Seventh 5-Year Plan, to persist in reform, to pioneer the road of advance, and to exert efforts to successfully fulfill the Beijing municipal Seventh 5-Year Plan for economic and social development.

The executive chairmen of yesterday's congress session were the executive members of the congress presidium, including Li Ximing, Jin Jian, Xu Weicheng, Wang Jialiu, Li Qiyan, Li Guang, Wang Lixing, Wang Xian, Pan Yan, Ma Yaoji, Hou Jingru, Wen Jiasi, Pu Jiexiu, She Diqing, Chen Mingshao, Zhang Dazhong, Xing Jun, Rong Yi, and Xia Qinlin.

At 1500, Li Ximing declared the opening of the session. After that, Ma Yaoji chaired the elections. The congress session elected, through secret ballot, the president of the municipal Higher People's Court, the president of the municipal Intermediate People's Court, and the chief procurator of the municipal People's Procuratorate. Chief ballot supervisors Qi Jialian (female) and Li Qiangou announced the results of the elections.

The session then adopted a report on the municipal Seventh 5-Year Plan and a resolution on the report concerning the Seventh 5-Year Plan submitted by the Fifth Session of the Eighth Beijing Municipal People's Congress, a resolution on the 1986 economic and social development plan and on the 1985 financial accounts and 1986 financial budget, a resolution on the work report of the municipal People's Congress Standing Committee, and a resolution on the work reports of the municipal Higher People's Court and the municipal People's Procuratorate. The session also heard and endorsed a report given by Ma Dazhong, chairman of the motions examination committee of the congress session, on the examination of motions raised by deputies.

Comrade Li Ximing spoke at the end of the session. He said: During the session, all deputies have freely aired their views, and reviewed the remarkable achievements made in various fields during the Sixth 5-Year Plan period as a result of the efforts of the people throughout the municipality in upholding reform and striving to explore, to pool the wisdom and efforts of all, and to work hard. They have planned and formulated a magnificent blueprint for developing the capital during the Seventh 5-Year Plan period. This congress session will exert great and profound influence on the capital's socialist modernization cause.

Comrade Li Ximing said: This session has brought democracy into full play and the deputies have conscientiously performed their duties as the people's deputies and exercised the rights of the people's deputies with a high sense of responsibility. In the course of examining and discussing all reports, the deputies have offered many pertinent and valuable ideas and suggestions. All deputies have put forward many constructive ideas for strengthening urban construction and management of the capital; developing educational, cultural, and public health undertakings; improving service attitude and raising service quality; ensuring vegetable supplies; developing agriculture in the suburban areas; improving the democratic and legal systems; exerting continued efforts in dealing blows to serious economic crimes and criminal offenses; and strengthening the building of spiritual civilization.

These ideas fully embody the concern, support, and wishes of the people throughout the municipality for the construction of the capital. These ideas will serve as a driving force for promoting all future work in Beijing and for realizing all objectives and tasks during the Seventh 5-Year Plan period. He expressed the hope that all deputies would continue to conscientiously supervise and examine all fields of work in Beijing in the future and give criticism and suggestions at any time. The municipal People's Congress Standing Committee, all district and county People's Congress standing committees, and the people's governments at all levels should create conditions for the deputies to perform their duties and make things convenient for them, and conscientiously approach and properly handle the ideas and suggestions raised by deputies.

Comrade Li Ximing emphatically pointed out: The Seventh 5-Year period is a crucial period for reforming the economic structure of our country. This is the first year for implementing the Seventh 5-Year Plan and doing this year's work successfully will be of vital importance. At present, the political and economic situations in Beijing Municipality are good. However, we should also realize that we still have to face many arduous tasks and difficulties. We should actively publicize and earnestly implement the guidelines of this session, uphold the correct orientation of reform, and continue to improve various reform measures. On the premise of grasping the two civilizations simultaneously, we should give priority to prominently grasping the spiritual civilization. We should also vigorously strengthen ideological and political work, further improve the system of holding the people's congresses and other democratic forums, be good at applying legal means to manage economic and other undertakings, continue to march along the path of the four directives and the 10 instructions of the central authorities, mobilize the people throughout the municipality, unite with them, display the spirit of the foolish old man who moved the mountain, work with one heart and one soul, pioneer our road of advance, and strive to build the capital of the great motherland into a better and more beautiful place.

In his speech, Comrade Li Ximing also said: The deputies thank Xue Guanghua, the former president of the municipal Higher People's Court, and Wang Zhenzhong, the former chief procurator of the municipal People's Procuratorate, for their contributions to building the legal system in the municipality during their terms of office.

Responsible persons of the municipal CPC Committee, the municipal Advisory Commission, the municipal People's Congress Standing Committee, the municipal government, the municipal Higher People's Court, and the municipal People's Procuratorate, as well as the responsible persons of various departments, commissions, offices, and bureaus; some general companies; and the various district and county People's Congress standing committees and governments attended the session as observers. Some NPC deputies elected from Beijing also attended the session as observers, among them being Dong Jianhua and Zhang Binggui, members of the NPC Standing Committee.

The congress session came to a successful end amid the magnificent playing of the national anthem.

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PROVINCIAL AFFAIRS

NEI MONGGOL'S ZHANG SHUGUANG INSPECTS BANNERS, COUNTIES

SK071156 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 6 Jun 86

[Text] In mid-May, accompanied by Tian Congming, deputy secretary of the regional CPC Committee, Zhang Shuguang, secretary of the provincial CPC Committee, made an inspection tour of some banners and counties in Ih Ju and Ulanqab Leagues to discuss how to [words indistinct] and help the people end poverty and become prosperous.

Zhang Shuguang and other leading comrades first went to Jungar Banner to inspect the [words indistinct]. After hearing the report by a responsible comrade of the banner, Comrade Zhang Shuguang said: Ending poverty, unloading the burdens, planting trees, and breeding cattle and sheep are a way of economic construction for Jungar Banner. Comrade Zhang Shuguang said: (Ningtiao) is a superiority of Jungar Banner. We should mobilize the people throughout the banner to vigorously plant (Ningtiao) in order to build the banner into a (Ningtiao) base in 3 to 5 years. After hearing the report by a responsible comrade of the headquarters of the Jungar coalfield, Comrade Zhang Shuguang praised him for his [words indistinct] policy implemented at (Yongqigou) in (Gaole) township. In developing the Jungar coalfield, there are many favorable conditions and a bright future. The development of the Jungar coalfield will promote the penetrating development of the local economy. In developing this project, many feasibility studies have been conducted which have avoided blindness and duplication in this regard. [Words indistinct] Comrade Zhang Shuguang said: We should overcome the idea of the small-scale economy, give consideration to long-term development, and make early arrangements for overall construction.

In Qingshuihe County, Comrade Zhang Shuguang inspected the (Jiangchun) enamel plant, the (Yangjiayao) water and soil conservation and afforestation project, [words indistinct] processing plant in (Wangguiyao) township, and (Jibo) grass farm. Zhang Shuguang said: Qingshuihe County should exploit its favorable conditions in tree- and grass-planting and forage grass processing, should take advantage of its superiority in [words indistinct] to develop animal husbandry, should develop town and township enterprises which serve the neighboring cities and large enterprises, should attend to developing water conservancy and power industries, and should build itself into a typical county which integrates agriculture with animal husbandry, [words indistinct] links up the places outside and inside the Great Wall, and facilitates the flow of economy on both sides of the Huang He. To this end, we must adhere to the principles of seeking truth from facts, acting according to our capability, and [words indistinct].

During his inspection tour of (Helin) County, Zhang Shuguang said: We have already made a good beginning in implementing the principles of developing diversified occupations with stress on forestry and animal husbandry. [passage indistinct] Comrade Zhang Shuguang said: We should study the strategy for the county's economic development. The 30-odd banners, counties, and cities across the region should all have their own respective characteristics, and these respective characteristics should form the special features of Nei Monggol. [words indistinct]

In Liangcheng County, Zhang Shuguang, in line with the specific situation of Liangcheng County, called on the county to take the road of supporting animal husbandry with agriculture and promoting agriculture with animal husbandry. Comrade Zhang Shuguang said: We are now in the period of reform. Therefore, we leading cadres at all levels should attend to combining the principles and policies of the central authorities and the region with the work of localities. [words indistinct] He said: In implementing the principle of developing diversified occupations with stress on forestry and animal husbandry, we should be good at accounts. We should pay attention to tree- and grass-planting, just as they do to grasping grain. Our policies should encourage tree- and grass-planting, just as they encourage the growing of grain.

After hearing the report in Zhuozi County, Zhang Shuguang and other leading comrades pointed out: Leaders at all levels must follow the principle of taking one step and looking around before taking another and the principle of grasping forestry in the future, grasping animal husbandry at present, and grasping the work of becoming prosperous within this year.

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PROVINCIAL AFFAIRS

GANSU LEADERS SPEAK ON ECONOMIC WORK ISSUES

HK080211 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 7 Jun 86

[Excerpts] The Gansu Provincial Government held a plenary meeting from 5 to 7 June to analyze the current economic situation and study and make arrangements for economic work in the next few months, especially in June, July, August, and September. The meeting called on the people of the province to strive for new victories in economic construction this year.

This year the province has been short of capital and raw materials, and many problems have been encountered in industrial production. In the face of these realities, the departments concerned have promptly studied and formulated corresponding policies, measures, and methods, with the result that industrial production has maintained a good momentum of steady development.

The agricultural situation is also relatively good. Thanks to correct policies and sound work, the sown area of grain is larger than last year. There are ample supplies of chemical fertilizer and agricultural chemicals. The foundation has been laid for a bumper harvest this year.

Comrade Li Ziqi addressed the meeting on the morning of 7 June. Speaking on questions of economic structural reform, he said that reform is a social systems engineering project on a vast scale which requires a great deal of pioneering work. There are no previous experiences to which we can refer, nor are there any ready-made models to copy. We can only proceed from reality and feel our way forward in practice.

Li Ziqi demanded that the leaders at all levels correctly distinguish between the new problems that occur in reform and unhealthy trends. They must take a firm and clear-cut stand in supporting reform, enthusiastically project the enthusiasm of the reformers, and act as their good backers, to ensure that economic structural reform in Gansu will advance along the correct track.

Governor Jia Zhijie delivered a summation at the conclusion of the meeting. He said: Although industrial output in the first 5 months of the year increased compared with the same period last year, we have not yet caught up with the rate of progress required by the plan. The cadres and workers must have a sense of urgency. They must implement various measures to ensure the fulfillment of the year's tasks.

Comrades Hou Zongbin, Ge Shiying, Lu Ming, and Zhang Wule also spoke at the meeting.

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ECONOMIC DEVELOPMENT ZONES

FORMATION, STRUCTURE OF OPEN COASTAL ECONOMIC ZONE

Shenzhen SHENZHEN TEQU KEJI [SCIENCE AND TECHNOLOGY OF SHENZHEN SPECIAL ZONE] in Chinese No 2 (Apr-Jun) 85 pp 2-6

[Article by Chen Zhaowu [7115 5128 2430], Jinan University professor: "Forms and Structures of the Open Door in China's Coastal Areas"]

[Text] Opening up to the outside is a long-term national policy designed to stimulate China's economy. Work began in 1979 with the foundation of the special economic zone [SEZ], and then on the basis of the remarkable results attained and the summation of the SEZ experience, was followed by opening up 14 coastal cities and Hainan Island, and the designation of the Zhu Jiang and Chang Jiang deltas and the Southern Fujian Xiazhangquan Triangle as open coastal economic zones. In the future this will be gradually expanded to include the eastern Liaoning and Jiaodong peninsulas in the north. China's open area along the Pacific Coast has already taken on a preliminary structure, stretching from the Bohai Bay and Dalian in the north, and south to the Beihai Sea.

The open area runs through four SEZ's, 14 coastal cities, Hainan Island and 3 open economic zones on the coast, forming the forward position of China's open door policy. Within it is a network of crisscrossing relationships connecting the outside to the interior. The region, which has the form of a giant fan radiating outward, takes the SEZ's and open cities as its centers, and will stimulate the economy of the coastal area and develop the economic potential of the interior.

The opening up of economic development zones along the coast is a major strategic concept in the promotion of modernization in China, and has become increasingly noticed by people at home and abroad. How to deepen our theoretical understanding of this concept and what role the development zones will play are important issues that should be studied.

I. The Opening up of Economic Development Zones Is a Major Policy Decision That Goes Along with the Tide of History and Requires a Global Outlook

The open door policy cannot be understood as a temporary expedient. It must be understood in terms of historical trends and developments and of global economic strategy, especially the rapid revolutionary developments in technology. Otherwise we will not be able to gain a more profound comprehension of this far-sighted and sagacious policy.

The internationalization of production and exchange and the constant intensification of international economic relations worldwide is a historical law in the development of human society. The founders of Marxism pointed out long ago that due to the opening of world market, "production and consumption in every nation has become global in nature," and that , "self-sufficiency and isolation have been replaced by relations of mutual dependence and intercourse among all nations."[1] This is an inevitable objective tendency which takes as its background a highly developed commodity production. The process of the internationalization of production and exchange has accelerated increasingly since World War II, as have the relationships and interdependence among nations. Any nation in which the development of the forces of production separates itself from the world economic network will surely fall into a state of stagnation. This point has become increasingly clear with the rapid development of science and technology on a global level.

However, despite the fact that the above is uncontestable, basic, common sense, under the influence of "leftist" ideology, isolation and self-sufficiency were distorted to mean "regeneration through one's own efforts," and developing international economic relations were viewed as bringing in capitalism, which totally confused everyone. Therefore, the implementation of the open door policy requires the prior thorough elimination of the "left" ideological influence.

The "Decision" of the 3d Plenum of the 12th CPC Committee clarified the nature of the socialist economy as one belonging to the commodity economy, and further brushed aside theoretical obstacles hindering our attaining a more profound understanding of the open door policy. We now realize that opening up is an inevitable requirement necessitated by the development of the commodity economy. Commodity production needs markets, and will inevitably find a path to the world market. Isolated markets cannot resist the tidal wave attack of the development of the commodity economy. We cannot set up internal barriers in our socialist commodity economy; nor can we attempt to do the same thing and isolate ourselves from foreign markets. Breaking isolation is a necessary condition in the acceleration of the development of China's socialist commodity economy.

This forms the general theoretical basis for China's implementation of the open door policy. What needs to be discussed now are not only questions relating to the development of the national economy via the open door, but also questions regarding the reasons for creating SET's and the open coastal economic development zone. This policy implies the implementation of a series of special economic policies within the bounds of a specific geographical area. The resulting open economic development zone differs from most open markets in the country. Why must we adopt these forms? What is the broader significance of the creation of the coastal open economic development zone? As the usual theories are insufficient, it is necessary to study in depth the background and specific content of this major policy decision.

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1. Selected Writings of Marx and Engels Vol 1, pp 254-255.

First, it should be understood that the internationalization of production has been accelerated by great developments in science and technology. Science and technology as part of the forces of production are having an increasingly greater effect on the economic development of all nations on a global scale, particularly in this day and age when we are faced with a new technological revolution. Scientifically backward nations will have to seize the opportunity and take effective measures to rapidly narrow the gap between them and the developed nations. This is what is meant when we speak of the need to adopt effective policies in the face of the challenge, and is a strategic task in the promotion of modernization in China. To accomplish this, China must greatly develop international economic and technological relations and enable our production and exchange ot participate in world markets more broadly and deeply. We must also implement special policies in certain regions to strengthen these relations.

The special zone should act as a catalyst to accelerate the absorption and assimilation of advanced technologies. The SEZ's and open economic development zones have been created to meet just that need and to act as four "windows" to the outside. The open economic development zones are a part of China's centralized, open socialist economy, and form a forward position for the implementation of certain specific tasks. Their creation should become China's major strategy in meeting the new worldwide technological revolution, and is a vital component part of strategic plans to promote socialist modernization.

The economic role of the Pacific region has grown increasingly since the 1960's. The world economy has already shown signs of shifting its center toward it. In the southern arc of the Pacific, the primary economic forces will be Japan and China. Faced with strong economic rivals, China's ability to develop into an economic center in the Pacific largely depends on the capacity of our coastal areas to fully develop their giant economic potential. Therefore the creation of the open economic development zone will also play a role in making China a future economic center, and should include a returned Taiwan and Hong Kong.

The establishment of SEZ's and open economic development zones should also be linked with policies to compete internationally for advanced technologies and to increase the pace of our own economic development. Successful experiences of foreign countries in this regard should be studied. Many developing and developed nations have established special open economic zones such as free trade zones, tax-free zones and export-processing zones in their coastal areas or in transportation centers. For example, 60 percent of the FRG's foreign trade is conducted via the free trade zones of Bremen and Hamburg. America uses its 84 customs free foreign trade zones to attract foreign commerce. The export-processing zones of Singapore, South Korea and the Philippines are even more well-known. The export-processing zones and industrial parks of our own Taiwan have made much progress in the import of foreign capital and technology and in the development of foreign trade. Our comprehensive SEZ's, open coastal cities and economic development zones have been created with these competitive foreign models in mind, but have also been designed to meet our own national needs and conditions.

II. Present Advantages of the Open Economic Development Zone

1. Geographically, the zone is a pivotal area linking China to international markets, and itself to the vast hinterland. The zone between Dalian and Lianyungang forms the center of the transportation network linking China with Europe, Asia, Japan and South Korea.

The zone belonging to the rich Shanghai economic zone stretching from Nantong to Shanghai and Ningbo receives support from the rich and fertile Chang Jiang Delta and is near the East China Sea oilfields. Shanghai is also China's largest foreign trade seaport, making this area the center of the open economic development zone.

The zone from Wenzhou through Fuzhou to Guangzhou, Hainan Island and Beihai in Guangxi, and including Taiwan and Hong Kong, occupies an important position in relation to Southeast Asia. Nearly half of all the SEZ's and open ports are located here, making it a crucial part of the open economic development zone. At the same time, Wenzhou, Fuzhou and Guangzhou are traditional light industry centers. Fuzhou is situated next to the Min Jiang basin and the "golden triangle" area of Zhj Jiang Xiazhangquan, while Guangzhou is located in the naturally rich Pearl River delta area, which gives this zone an important position in the entire open door policy.

The interior areas linked with the cities and ports in the open economic development zones, related information concerning natural resources and transportation advantages are listed in the chart below for reference.

2. The open economic development zone encompasses a series of ports with good conditions rarely seen in the world.

The zone contains many deepwater ports that do not freeze in the winter or silt up and that are safe harbors, such as Qinhuang Island, Dalian and Qingdao in the north. Ningbo and Zhanjiang are both good deepwater ports, while Wenzhou, Nantong and other locations all have good harbors. The annual handling capa-city of the 14 coastal parts is at 97 percent. It is clear that most of China's ports for the import and export of materials are located within the open zone.

3. The open economic development zone is also the nation's most advanced region in terms of science, technology, culture and education. It can take up the task of attracting and absorbing advanced technologies and modern knowledge. Twelve percent of the nation's scientists and technicians are located in the 14 coastal port cities, as are 17 percent of the institutions of higher education and technical secondary schools. The zone is not only a "window" for importation, but also a base for the cultivation of the new generation of modern talent.

4. Residents in a number of cities in the development zone have relatives overseas, which presents great opportunities for bringing in foreign currency. Guangzhou, Hainan, Shantou, Ningbo, Wenzhou and Shanghai, among other places, are major overseas Chinese centers. Some of these cities have traditionally

City	Hinterland link	Major Natural Resources	Transportation Advantages
Dalian	The northeast, Nei Monggol	Forests, grain, petroleum, coal, sea products, ship-building, tourism	Sea traffic with several hundred ports in 60 countries; land routes to Europe via the Siberian Railroad
Qinhuang Island	North China, the northeast	Petroleum, coal, tourism, sea products	Centralized export center for the north and northwest; China's longest oil pipeline
Tianjin	North China plain, the northwest, Nei Monggol	Petroleum, coal, sea products, chemical industry	Transportation hub for northern land-sea routes; its railroads stretch north and south; has over 20 sea lanes to 148 countries
Yantai	Shandong, the north	Sea products, mining, fruits	Near the Liaodong peninsula and the sea, well developed water transportation
Qingdao	Shandong, the north	Light industry, tourism, textiles	Sea traffic with 100 ports throughout the world, well developed railways and highways
Lianyungang	Northern Jiangsu, southern Shandong, Henan	Tourism, coal, sea products	Start of Longhai Railroad, most convenient port for the central plain and the northwest
Nantong	Provinces in the Chang Jiang basin	Light industry, textiles, tourism	Transportation heart of Jiangsu, point of transfer for sea and river routes
Shanghai	Chang Jiang delta and plains of its middle and lower reaches	An abundance of products in both hinterland and coastal zone, all industries, China's industrial heart	Transportation nexus for national sea, land and air routes, sea routes to more than 400 ports in 100 countries
Ningbo	Tong Jiang basin	Sea products, tourism, arts and crafts	International routes to Korea, Japan, Southeast Asia; a central area
Wenzhou	Ouh Jiang basin	Food products, arts and crafts, tourism, clothing, machinery	Links the southeast to the outside
Fuzhou	Min Jiang basin	Machinery, light industry, tourism	Sea routes to more than 20 nations and regions
Guangzhou	Zhu Jiang delta	Ship-building, light industry, tourism	Land, sea and air transportation hub for South China, close to Hong Kong and Macao, routes to 110 nations, regions and 535 ports
Shen Jiang	Northwest hub, Guangdong, the southwest	Mining, petroleum, semi-tropical crops	Port with closest sea routes to Singapore, Africa and Europe
Beihai	Guangxi, Guizhou	Mining, sea products, tourism	Major port of entry and exit in the greater southwest

had connections with foreign businessmen. This situation is particularly marked in the SEZ's. For example, an approximate total of 4 million people originally from Shantou reside in Hong Kong, Macao and in 34 countries and regions throughout Southeast Asia, Europe and America. More than 2 million overseas Chinese and foreign citizens of Chinese descent from Xiamen are scattered throughout the world. Almost every family in Shenzhen has relatives living in Hong Kong. Overseas Chinese and compatriots from Hong Kong and Macao are playing an important role in investing in the open cities. More attention should be paid in the future to absorbing more of this great overseas investment potential into the development zone.

5. The development zone has a fairly good industrial and commercial foundation, and industry has been developing rapidly in the last few years. This makes the zone more suitable to the implementation of the open door policy and to the effective importation and absorption of advanced technology.

Based on the above analysis it is easy to see that this arch-shaped region on China's Pacific coast has a potentially great role to play in the implementation of the open door policy and the promotion of modernization in China. If the zone can link up with Hong Kong and Taiwan to form a whole, by the turn of the 21st century, the cities in this region will be like a chain of splendid precious pearls matching that of any other country.

III. The Functions and Administrative Structure of the open Economic Development Zone

The various coastal cities and related hinterland areas along the long coast line of the development zone have different characteristics, but combine to form an integrated whole. Therefore, in the overall planning for the zone, the different functions of each area have to be considered and different administrative structures established.

Open zones can be classified into the following types depending on their primary foreign trade functions: the overall open zone, the trade-oriented type, a base, and the seaport transportation type. Each open city will emphasize different functions and develop in different directions according to its special characteristics.

A similar division according to function can be applied to the SEZ using however, different categories, such as the overall type, the export processing type, the free port type and the commercial and tourism type.

The current internal structure of the development zone is divided into three levels according to the depth of outward involvement—the SEZ, the open coastal city and the open coastal economic development zone. The degree of openness and flexibility of policies and measures for each level differ. At the same time, the three levels combine to form an outward radiating open fan-shaped whole.

We will now proceed to examine the above structures more closely:

1. Function and Structure in the Open Development Zone

The different categories can be divided according to function and structure as follows: 1) The overall open type of Shanghai, Tianjin and Guangzhou. The characteristics of these three cities are: they are economic urban centers for the entire nation; industry and commerce are highly developed; all industries are represented; they have traditionally been major ports for foreign trade. At the same time, science, technology and education are more developed here than elsewhere, and are managed fairly well. Therefore they should be developed in an overall manner in order to allow them to make full use of their multidirectional function. 2) The foreign trade type of Dalian, Qingdao and Ningbo. These three cities have always been excellent ports for the conducting of foreign trade. Water transportation is convenient and their hinterland areas have an abundance of natural resources, which can help promote the development of these cities into large-scale commercial seaports. At the same time they have a definite foundation in light industry, textiles, sea products and so on, which can be rapidly developed through foreign trade. 3) The base type of Fuzhou, Wenzhou, Nantong, Yantai, Zhanjiang and Beihai. These cities and their hinterlands have an abundance of natural resources, and can become bases for foreign trade. 4) The seaport transportation type of Lianyungang and Qinhuang Island. These cities have been typed according to their transportation tasks and special characteristics. Lianyungang is the starting point for the Longhai Railway and is linked to the northwest, making it the most convenient port of exit for that region. Qinhuang Island is the harbor for the export of materials from the north and the northwest, and for China's coal. China's largest complex of oil pipelines is also located here.

It must be pointed out however, that the classification of the open cities according to function and structure is not limited to the above fixed four categories. The advantages held by the open cities are multidimensional, and any one of them can develop into a position of greater relative prominence, leading possibly to the formation of other functions and categories.

Regarding the SEZ, Shenzhen and Zhuhai are overall special zones. Their commercial and tourism aspects tend to be marked, whereas Shekou in Shenzhen is primarily an industrial special zone. Shantou has also developed into an overall special zone, and has possibilities for development in agriculture. As the Xiamen SEZ expands to include the entire island it will develop more in the direction of a free port.

Concerning the functional structure of the open development zone, the following points should be noted: 1) The purpose of classifying according to function in the zone is to ensure the coordinated operation of the special separate functions of each component part in order to most rationally and effectively develop the zone's structure and function. As this has a direct bearing on the development strategies of all the open cities and SEZ's, more in-depth research should be carried out in consideration of the various conditions, advantages and future prospects for development of each open zone or area. In addition, the tasks of the entire development zone must be clearly determined in light of global strategy. From this, the exact function of each open area can be designated.

2) The functions and structure of the development zone must be able to adapt to the changing situation. The direction of the development of any open area can only be tested and corrected through constant practice. We must attempt to seek truth from facts and not rush to conclusions based on our subjective desires or assumptions. In addition, we must take into consideration new situations and factors of the coming few years, such as the return of soverignty over Hong Kong and the reunification with Taiwan, two important factors that require study.

Even if we take the Shenzhen SEZ as an example--despite its great successes in its 5 years of existence that have won widespread, the zone is still in a yet to be categorized transitional stage. Nor can its special economic characteristics, including the direction of its economic development, be said to be of a particular fixed type. As an overall special zone, its major functions still need to be studied more closely before being determined. For example, although Shenzhen's market is a triving one, it has not yet developed into the outward-facing type that had been originally conceived for it, and the export competitiveness of its industrial forces of production and products is not ideal. Therefore the zone's market can only be said to be in a transitional stage. The construction of the special zone requires a transitional period; it cannot develop a fairly large export capacity overnight. Also, a careful analysis has to be made of the conditions necessary for the smooth development of Shenzhen's entrepot trade. Therefore, the current problem is not avoiding making hasty decisions concerning certain economic phenomena and developments in the Shenzhen SEZ, but concerns rather research on how the zone shall continue to develop in the future and how to make full use of its advantages to further clarify its proper functions and emphasis. There are also new issues worth studying in-depth concerning the open cities.

2. Organizational Structure in the Open Development Zone

The basis for the classification of organizational structures lies mainly in the different special policies and limitations set by the state in the process of implementing the open door policy based on the different conditions existing in each open zone. Special policies and new management systems are to be applied in the SEZ's that are within the bounds set by the state.

More specifically, these special policies are primarily composed of the four following aspects: 1) The concentrated importation of foreign capital within the SEZ. The economic system of ownerhsip in the SEZ can tolerate a large proportion of joint capital ventures, cooperative ventures and totally foreign-owned enterprises. 2) The regulating role of the market in the SEZ's production and circulation can be widely implemented. 3) Preferential treatment can be accorded foreign businessmen in relation to taxes and the ease of entry and exit. The enterprise income tax is 15 percent. Customs taxes and commercial import taxes are wavied for bringing in equipment needed for investment for foreign-run enterprises. Export taxes and other industrial and commercial taxes are waived during the export of their products. 4) The SEZ economic system is not to be held to within the framework of the economy of the rest of the nation. Various reforms can be made and the SEZ has more autonomy, for example the right to review and grant approval of suggested projects for foreign investment. 5) A certain percentage of products manufactured by foreign enterprises can be sold within China.

After the second border is delineated, the SEZs can be opened up further. However, current income taxes are already lower than Hong Kong's 17 percent. Other taxes can also be waived.

The administrative type of Hainan Island is the same as the SEZ's and policies administered there are basically the same as those of the special policies of the SEZ.

The open city basically belongs to the first structural level. The set up of the economic and technological open area has to be clearly divided into different geographic regions where special policies similar to those of the SEZ are implemented in order to attract technology- and knowledge-intensive.

The further opening up of the 14 coastal cities means primarily the expansion of their autonomy, including the right to review and grant approval of foreign investment projects, and to give various types of preferential treatment to foreign businessmen.

The old urban districts of the 14 coastal cities and the Shantou and Zhuhai city districts all belong to the first structural type as regards the implementation of special policies.

The open coastal economic development zone, including the Pearl River Delta, the Chang Jiang Delta and Xiamen's Zhangquan triangle, shall, based on their different conditions, provide favorable treatment to foreign businessmen similar to that of the open cities to encourage them to invest in China. They will also have certain rights in regard to importing and exporting, such as the right to reduce or waive taxes on joint capital ventures and cooperative ventures.

The open coastal economic development zone is still in the preliminary stage of formation, and the laws of its construction and development have yet to be explored. These zones all have as their centers the open cities, and shall dispose of their economic forces in the "foreign trade, industry and agriculture" direction. The zones are directly situated within the bounds of the SEZ or open cities, and possess abundant natural resources and a fairly well developed industrial commercial and transportation network. Therefore, they have a greater role to play in the importation of foreign capital and technology and the development of foreign trade than most economic zones inland. The integral unity of the several open economic areas that compose the development zone is highly significant.

The three levels within the development zone must form a strong organic whole and must resolve the problem of balancing the whole picture with "special" interests. The effective coordination and full development of the various levels require a prior understanding of the entire situation; the component parts and levels should not work against each other. Overlapping importation can result in great losses. The various open zones and the SEZ have been set up primarily to promote development, especially of new industries. The open cities should take as their main task the reform of old enterprises, and the full development of the role of foreign trade and of their attached hinterland areas. The SEZ's and open cities should gradually create a complex network for the exchange of information, science and technology, and should become a link uniting the entire open zone. The open economic zone has a broad scope and requires a great effort to implement the relevant policies to turn it into an effective foundation for the open cities.

Economic and technological development in the open cities must be stressed, to allow them to give free rein to the development of their advanced new industries. In other words, this calls for the creation of a coastal "Silicon Valley" which can function as an important base for accelerating technological development in China. The establishment of economic and technological development areas in the open coastal cities is a policy decision that will play a vital role in meeting the challenge of the new world technological revolution, and will be a measure of how well the open cities implement the open door policy.

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ECONOMIC MANAGEMENT

NEW METHODS TO ENLIVEN SHENYANG'S SMALL ENTERPRISES REPORTED

Beijing RENMIN RIBAO in Chinese 8 Jan 86 p 2

[Text] According to a report by SHENYANG RIBAO, Shenyang City has continuously probed new ways to invigorate small enterprises and has adopted several new policies and measures to instill life and vitality in the small enterprises. Over 4,000 small enterprises in the city, 96.7 percent of the total number of industrial enterprises, have currently extricated themselves from their predicaments.

Trial Implementation of Collective Management by Small State-owned Enterprises

Since 1984, Shenyang City has successively implemented the management method of "ownership by all people, collective management, taxation according to regulations, and sole assumption of responsibility for profits and losses" for 104 small state-owned enterprises. This has accelerated production development. The number of debt-ridden enterprises has been reduced by two-thirds, and the state's financial resources have been expanded. Moreover, the enterprises have improved their capability in self-transformation and self-development, and have established the stamina for further development.

Trial-implementation of the Bankruptcy Method for Collective Enterprises

In the past, we have supported the existence of some longstanding debt-ridden enterprises by such means as subsidy "transfusion." This has made the financial burdens of the state and local governments heavier and heavier. In February last year, Shenyang City drew up the "Regulations for Trial-implementing Bankruptcy for Urban Collective Industrial Enterprises." This put economic and legal pressure on those poorly-managed enterprises. In light of the spirit of the regulations, in August last year, the municipal people's government issued a "Bankruptchy Warning" to three enterprises, including the No 3 Agricultural Machinery Factory and the Explosion Protection Equipment Factory. The warning produced a tremendous impact on the above enterprises. Upon being warned, with the spirit of being masters of their own destiny, the staff members and workers of the entire No 3 Agricultural Machinery Factory consciously made joint efforts to rescue the enterprise. After a period of hard work, they brought about the best business state ever experienced since the factory went into operation, extricated themselves from their own predicaments, and embarked on the path of "revival."

Trial Implementation of the Shareholding System in the Collective Enterprises

Since the second half of last year, Shenyang City has trial-implemented the shareholding system in some collective enterprises. The shares of these enterprises consist generally of the state's investments, cooperative's investments, enterprise-owned funds and staff individual shares. The after-tax surplus of enterprise's profits is distributed proportionately among the shareholders. The shareholding system has closely linked the enterprise's economic benefits with the immediate interests of the staff and workers, thereby arousing the workers' enthusiasm in production.

Trial Implementation of Leasing Business Among Small Enterprises.

Currently, 37 industrial enterprises, nearly 1 percent of the city's small enterprises, have been leased to individuals for management. The benefits of these enterprises are much higher than the average level of the whole city.

Institution of Activities to Strive and Create "Small Giant Enterprises."

Last year, the city began to judge "small giant enterprises". The municipal people's government issued a certificate for and hanged a red factory plate on those factories which won the title of "small giant enterprise." These enterprises also enjoyed designated preferential treatments in such respects as wage distribution, profit retention, technological transformation, technology importation and materials distribution.

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JINGJI YANJIU ON RURAL JOINT CAPITAL ENTERPRISES

HK020903 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 86 pp 60-94

[Article written in November 1985 by Li Lianjin [2621 6647 6651] of the Department of Political Education, Tianjin Municipal Teachers University: "The Role and Problems of Fund-Raising for Rural Enterprises"]

[Text] The emergence of industrial, commercial, transport, and various service enterprises operated with joint capital raised among the peasants is a new development in the rural areas of our country. This is also an important form of economic activity in the present stage of the drive to speed up socialist construction in the rural areas. However, our understanding of and attitude toward joint capital enterprises has become a new problem with respect to both theory and practice. Some people, including operators of joint capital enterprises, still have all sorts of opinions and misgivings. At the same time, the joint capital enterprises themselves are far from perfect. Therefore, it is necessary that we enhance our understanding, formulate corresponding policies suited to the actual conditions, and give these enterprises correct guidance so that they can better serve the development of the rural economy.

The following are some views on this issue, using the operation of joint capital enterprises in the rural areas of Tianjin municipality as an example.

I. The Situation and Characteristics of the Joint Capital Enterprises in the Rural Areas of Tianjin Municipality

Joint capital enterprises in the rural areas of Tianjin municipality have developed rapidly in recent years. According to statistics of the departments concerned, at the end of June 1984 there were 1,181 peasants' joint capital enterprises employing 18,052 people. At the end of 1984, the number of such enterprises rose to 3,374, employing 48,600 people. Development has been faster since 1985. At the end of September 1985, there were 5,524 enterprises employing 89,904 people. In some localities the development of joint capital associations has surpassed that of individually operated industrial and commercial enterprises. Joint capital enterprises have great variety in regard to production items and nature of business. In September 1985 there were 3,599 enterprises engaged in manufacturing, 178 in transport, 349 in repair and construction services, 927 in commerce, 92 in the food and beverage catering, 62 in service industries, 285 in repair and maintenance, and 32 in other lines of business.

The joint capital associations in the rural areas of Tianjin municipality are of several types: There are share-capital enterprises of a cooperative nature, joint enterprises owned by a small number of people who contribute the capital and employ staff and workers to operate their businesses, and individuals raising capital and employing staff and workers to operate their businesses. Different kinds of joint capital enterprises have different characteristics in terms of ownership, mode of distribution, and system of employment. They differ greatly from a collective economy. They are also different from a cooperative economy as it is generally understood. According to a survey we have carried out in several counties and some suburban areas, joint capital enterprises have the following characteristics:

First, regarding the substance and form of raising capital, joint capital associations are established through share-capital investments. Investments can be made in many ways: They can be cash, provision of expertise, provision of factory premises or shops, or provision of labor reckoned in terms of yearly wages. For example, the Gengxin Restaurant in Ji County was established with 5.5 shares by 6 percent households. One, the owner of the premises, contributed half of share by providing a shop worth 200 yuan; a cook contributed 1 share by providing his expertise, and the remaining 4 households each contributed 1 share by giving 400 yuan. The Jinnan metal welding factory at the south suburb station is another example. It was operated with joint capital raised by 17 percent households, with each household contributing 200 yuan. Two of the households, unable to contribute any cash, provided labor and contributed their wages by the end of the year as shares.

Furthermore, shareholders are allowed to make cross-trade and cross-locality investments. No limit is imposed upon the amount of share-capital and the number of shares, and investment is on a voluntary basis with shares being withdrawable at will (when shares are withdrawn, only share-capital, not the accumulated fund, is repaid). All these measures meet the demands of the peasants in the rural areas at present.

Second, joint capital enterprises can handle the ownership of share-capital more flexibly by adopting, generally speaking, the following two methods: First, retaining the investments of individual shareholders and issuing dividends to shareholders; second, repaying of share-capital within a certain period instead of issuing dividends to shareholders, but distributing the yearly profits according to work, realized in terms of differences in wages after the deduction of provident funds and community funds. At present, most of the joint capital enterprises in Tianjin municipality adopt the former method, which can be considered the basic method. A small number of enterprises adopt the latter method, which prevails nevertheless in some localities. For example, a number of joint capital enterprises in Tanggu locality practice the system of repayment of share-capital.

Third, the mode of distribution of profits of joint capital enterprises are many and varied. Some integrate the method of fixed wages (time wages or piece-rate wages) and that of dividend-sharing. Wages are fixed in line with the skills and contributions of individual laborers, with the high end monthly wages being 200-odd yuan and the minimum being 50 yuan plus. This widens the wage difference and embodies the principle of more pay for more work. The amount of dividend shared is relatively great. For example, the Fuxing Beverage Factory of Xiaofuzhuang village, Ji County, was operated with the joint capital raised by 20 peasant households, with each household investing 500 yuan, and employed 36 households (relatives and children of shareholders) to take part in production work. Dividends for each share in 1983 were 6,000 yuan, whereas the fixed annual wages of a worker was 1,000 yuan; share dividend was thus five times the wages.

Some adopt the method of integrating fixed wages, share-dividends, and labor bonuses. Compared with the above method, this method includes one more element: labor bonus. It should be noted that a labor bonus is not distributed equally among the people, but according to an individual laborer's wages; i.e., laborers with a higher level of skill and higher wages get more labor bonuses and vice versa. This method eradicates the procedures of assessment and reward and avoids the trouble which may be brought about by these procedures. The key to the successful implementation of this method is whether wages are fixed reasonably. However, the absolute amount of share dividends issued by enterprises which adopt the method of a labor bonus is still very large. For example, the Chuipinghu Canned Food Factory, Mashenqiao Brigade, Ji County, was established with joint capital of 2,000 yuan (500 yuan per share) by four peasant households in 1983 and employed a number of peasants in the same village. The average monthly salary was 45 yuan, plus a bonus of 10 yuan (totaling 55 yuan). The year-end profit was distributed in the proportion of 3:3:4; i.e., 30 percent as accumulated fund, 30 percent as share dividends, and 40 percent as labor bonus. In 1984, the profit of this factory was 72,000 yuan. According to the above proportion, the labor bonus amounted to 28,800 yuan, the share bonus 21,600 yuan, and the accumulated fund 21,600 yuan. As the number of employees was great, the average per capita labor bonus was 230 yuan, while the dividend per share was 5,000 yuan, more than 20 times higher than the labor bonus. When it is noted that the accumulated fund is to be owned by investors, the difference between the income of laborers and that of investors can be seen to be even wider.

Joint capital enterprises pay relatively high wages to technicians they employ. The Chaierzhuang Beverage Factory of Chutuling, Ji County, employed a technician from Quyang County of Hebei Province and paid him a monthly wage of 100 yuan in addition to expenses for his food and drink. Moreover, the technician drew 0.03 yuan for every bottle of beverage he produced (according to the estimate at that time, the net profit of each bottle of beverage was 0.06-0.07 yuan). The woodwork factory of Mashihe, Balitai, south suburb, paid a technician a monthly wage of 240 yuan.

Fourth, the employment systems of joint capital enterprises are also many and varied. The joint capital enterprises in the rural areas in Tianjin municipality adopt three employment systems. The first system is that all work is done by the investors themselves and no other people are employed. The second system is that work is basically done by investors, and when extra laborers are required, shareholders' relatives and children will be employed, with the number in proportion to share-capital. The third system is that, apart from the investors, their relatives, and children, some other peasants are also employed (some enterprises are employing as many as 150 people). The methods of employment are also varied. Some enterprises require people to work together in factories, paying either time wages or piece-rate wages. This method is adopted by most enterprises. Some enterprises employ individual workers to do processing work at home and pay them on piece-rate basis. For example, the Huazhongshu Sewing Factory of Nanfuying village and south suburb adopted the method of distributing processing work to different households. There are more than 20 processing points in the village. For each purse processed, a wage of 0.13 yuan was given. This method gives full play to the enthusiasm of every household and saves the investors expenses on premises and facilities.

All these facts show that the modes of operation adopted by joint capital associations in the rural areas of Tianjin municipality are really different from what we had in the past when we insisted that all means of production should be owned by the public, allowed no private ownership, allowed only distribution according to work, and allowed no share-dividends or labor bonus. The present type of joint capital enterprises conforms with the development of productivity in the rural areas and the ideological level of peasants and this is more acceptable to peasants, for such enterprises are full of strength and vitality.

II. The Role Played by Joint Capital Associations in Speeding Up Rural Economic Development

Peasants' joint capital associations emerged because there was a need to meet the demands of large-scale industrial and sideline production, large-scale processing of farm and sideline products, and large-scale provisions of other services. This kind of joint economy overcomes the limitations of the contract system by individuals and plays an important role in mobilizing peasants' idle money, concentrating human and material resources, and invigorating the rural economy. It provides a new channel for peasants to establish a better form of cooperative economy. Therefore, we should attach great importance to the development of peasants' joint capital economy.

First, establishing joint capital enterprises is an important way to mobilize idle money in the rural areas and to realize expanded reproduction.

The development of rural area construction in our country and the shortage of funds constitute a contraction. Following the growth of the economic strength of the state, it is of course completely necessary for the government to allocate more money to finance rural area construction. However, such allocations are always limited. The funds required by the rural areas for social construction, apart from being financed by the state, should be mainly provided by peasants themselves by tapping their own potential. Practice over the past few years has proven that the restructuring of the rural production mix and the operation of industrial and sideline production can be carried out with the capital raised by peasants, without the support or investment of the state. This has not only reduced the expenditure of the state, but has also increased its revenue through taxation. Therefore, at the present stage, joint capital enterprises serve as important channels for concentrating and generating funds and constitute an important way to realize expanded reproduction in the rural areas.

Pooling capital to start business is common in capitalist society. The bourgeoisie, through issuance of shares and establishment of share-capital companies, pool large amounts of idle money from the community, including the workers' limited savings, and establish large-scale enterprises such as railway companies, banks, and industrial and mining undertakings. This has promoted economic development and is still a common practice at present. Under the socialist system, it is also completely necessary to pool capital to accumulate funds and speed up socialist construction. The practice of pooling capital in recent years in China has proven that this is an important way to accumulate funds. It can be applied to rural areas as well as urban areas. Under the condition in which socialist public ownership is in the predominant position and state-owned funds are in absolute control, it is practicable to accelerate the socialist modernization program by extensively pooling capital from society.

Second, pooling capital for industrial and sideline production creates employment opportunities for the surplus labor force in the rural areas and makes it possible for some competent people to lead a greater number of people toward common prosperity.

Joint capital enterprises help create more employment opportunities and put the labor force under the leadership of able people. Therefore, they have a wide scope for business and, if well managed, will ensure that labor can bring about riches. Thus, it is heartily supported by the broad masses of peasants. Many examples can illustrate this point. Xingye Wooden Furniture Company of Chaochanghe village, Xiaozhan County, south suburb in Tianjin municipality is an example. The factory was founded in 1983 by 10 peasant households who jointly invested 14,000 yuan. Under competent leadership, the enterprise was very successfully operated. During the past 2 years, the fixed capital amounted to 260,000 yuan and it had relatively high productivity. Peasants' income was continuously raised, the annual income per peasant was about 1,700 yuan, and some people earned over 2,000 yuan per year. Leading cadres of the enterprise were given 300-500 yuan annually, in addition to the average wages, as an allowance for their extra duties. By doing so, a small number of rich people help a greater number of people to become rich.

Third, all types of joint capital enterprises provide a necessary way for the gradual realization of a cooperative economy.

Since the implementation of the system of contracted responsibility for production with remuneration linked to output in the rural areas, productivity has been further emancipated and peasants' enthusiasm in developing production has been mobilized. However, in the long run, small-scale production based on a single household is not in line with the further development of productivity. Therefore, the implementation of new joint capital associations is an inherent demand of the economic development in the rural areas.

The various types of joint capital enterprises in the rural areas in Tianjin municipality are, to a certain extent, different from the principle of cooperative economy in a general sense. This is because the levels of economic development in the rural areas of China are uneven. More importantly, the abilities, skills, and wages of individual peasants are greatly different. Therefore, it is inevitable that the various links, particularly the link of distribution, in joint capital enterprises, should allow some differences. At the present stage, all the different forms of joint capital enterprises are acceptable to people from different sectors and will play a positive role in promoting the development of productivity. Only when we join together in various different forms can we gradually lead the peasants to a better form of cooperative economy on the basis of developed production.

All the above points demonstrate that the emergence of peasants' joint capital enterprises conforms with the law of rural economic development. The promotion of this law will exert a far-reaching influence.

III. Probing Some Problems Regarding Rural Joint Capital Enterprises and Recommendations

Joint capital enterprises in the rural areas are still in their early stage of development and many problems are yet to be studied.

First, there are problems regarding the direction of production and operation of joint capital enterprises in the rural areas.

The problem of the direction of production and operation of joint capital enterprises in the rural areas refers to the problem of whether the processing of industrial products or the processing of local farm and sideline products and the development of natural resources should be taken as the key line of development. At present most joint capital enterprises in the rural areas are engaged in the production and processing of industrial and sideline products, and very few are engaged in processing farm and sideline products. We have investigated 25 joint capital enterprises in Linghe, Wuqing, Ji County and the south suburb, and only 4 of them were engaged in processing local farm and sideline products and exploiting local natural resources. Although such a situation is conducive to the transition of the rural production mix from unitarily agricultural to a diversified agricultural-industrial-commercial mix, a gradual transfer to processing farm and sideline products and exploiting and utilizing local natural resources should be an important direction for the operation of the joint capital enterprises in the rural areas. This is an important question regarding the development of the rural commodity economy in order to serve the plantation and breeding activities. We should proceed from reality and provide necessary guidance suited to local conditions. Suburban areas near the cities can operate more industrial processing, while counties and localities far from the cities should take processing farm and sideline products and exploiting and utilizing natural resources as the major work. This is for the long-term good. Of course, such guidance work should be planned and be carried out step by step and should not be conducted with coercion.

Second, there is the problem of the technical reform of joint capital enterprises in the rural areas.

Equipment used by the joint enterprises in the rural areas is old and technically backward, and most has been discarded by urban industrial enterprises through equipment renewal. They consume much energy and cause serious pollution, not only upsetting the ecological balance, but also harming the physical and mental health of the peasants. The present good economic effects of joint capital enterprises are attributable to the long work hours and intensive labor of the peasants. Therefore, questions including technical reform and antipollution with regard to joint capital enterprises deserve our full attention. We should deal with these questions consciously right now and should not wait until problems heap up. On the one hand, we should further remove the peasants' worries over expanded reproduction, and encourage them to invest and adopt new technology. The key here is to formulate some stipulations and policies. This will enable the peasants' joint capital enterprises to have a clear idea of what should be done and what should not be done. On the other hand, urban industrial enterprises should, in view of the well-being of the community, act strictly in accordance with the state's regulations on not spreading high energy consuming and environment polluting old equipment to rural areas. Industrial and commercial administration and supervision should be enforced and the central authorities' relevant regulations should be followed strictly. We should also adjust the policy on the purchases and sales of the means of production, open the market for the means of production, and enable the peasants' joint capital enterprises to buy the necessary means of production, just as the state-owned industrial enterprises can. We can permit eligible joint capital enterprises in the rural areas, assisted by the relevant departments, to trade with foreign merchants and purchase new technology. This will be beneficial to the technological reform of the joint capital enterprises in the rural areas.

Third, there is the problem of the proportion of share-dividends of joint capital enterprises in the rural areas.

In recent years, the State Council's relevant documents have repeatedly stipulated that the cooperative economy should exercise distribution according to work, or mainly according to work and supplemented by a certain proportion of share-dividends. They have also clearly stated that the annual after-tax profit of cooperative enterprises should be distributed under four categories: provident funds, community funds, labor bonuses and share-dividends. Share-dividends must not exceed 15 percent of the share-capital, while the appropriate distribution proportion of other items is determined through negotiations among the cooperating members. In practice, share-dividends of some joint capital enterprises far exceed the above regulations.

How should we see and deal with this question then? My opinion is that share-dividends are a kind of reward for investors and too much share-dividend does not tally with the socialist principle. But under the present situation where state ownership is predominant, this is not to be feared too much. If agreed by the peasants, a slightly higher proportion of share-dividend will not affect the whole situation. Under the present condition, it is advisable to arouse the peasants' initiative with regard to joint capital. In the long-term perspective, too much share-dividend will not be beneficial to the consolidation and development of the joint capital enterprises. Therefore, we should study this question. We should try to come up with a practicable proposal.

Fourth, there is the problem of the ownership of reserve funds of joint capital enterprises in the rural areas.

At present, many joint capital enterprises do not put aside reserve funds. We understand the reason is that some of them are afraid of changes in future policies. Another reason is the easy availability of credit and loans in the rural areas in an earlier period.

Although some enterprises have put aside reserve funds (some as high as around 30 percent), the reserve funds of many enterprises belong to the investors only, while the peasants who merely supply labor have no share in it. The state clearly stipulates: "All enterprises obeying the principle of individual willingness and mutual benefit among the laborers, accepting the state's planned guidance, practicing democratic management, drawing public reserves, collectively owning reserve funds, exercising distribution in accordance with work or mainly in accordance with work but with a certain proportion of share-dividend, will be regarded as socialist cooperative economy." ("Certain Regulations on the Present Rural Economic Policy," 2 January 1983) The January 1984 "Circular by the CPC Central Committee on Rural Work" also stipulates: "Among enterprises presently employing more laborers than stipulated, some have systems that differ from private enterprises. For example, they retain a certain proportion of reserve from the after-tax profit as a collectively owned asset, have regulations governing the limit of share dividend and owners' income and give the laborers a certain proportion of the profits as return for labor, etc. To a certain extent, they contain elements of the cooperative economy. We should assist them to continue their perfection and elevation. We can treat them not as capitalist employment business." Both of these documents regard the question of whether the joint capital enterprises are drawing reserve funds or not and the ownership of reserve funds as an important factor in determining whether they are private enterprises or cooperative enterprises and whether they use employed labor or mutual-aid labor. Hence, this question is very important with respect to both theory and practice. This should be an important factor to consider when formulating policies on the different varieties of joint capital enterprises.

I think this is a more important question that we should make an effort to solve at the present, as compared to the questions such as share-dividend and the high incomes of enterprise owners. We should abide with the central authorities' regulations and request the enterprises to draw reserves. We should stipulate that the reserve funds should be owned collectively by laborers as public asset and they should not belong to the investors personally. Otherwise, they will be treated as private enterprises. This demand is reasonable. The investors, besides enjoying higher wages and share-dividends, should not demand ownership of the reserves themselves. If we can strengthen our guidance and do a good job, the investors will readily accept this. Implementing this requirement will be beneficial to the development and consolidation of the enterprises. Other questions can be solved step by step in future when conditions are ripe.

The above questions are important economic questions. With the development of joint capital enterprises in the rural areas, more and more new situations and problems will arise. This requires that we investigate the real situations constantly in order to solve our problems as soon as possible.

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PAPER NOTES IMPORTANCE OF TRADE, INDUSTRY INTEGRATION

HK020855 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 86 pp 7-11

[Article by Chang Fengchen [2490 7685 5256], edited by Lin Daojun [2651 6670 0689]: "Integration of Industry and Trade Is the Only Way for the Open Policy"]

[Text] To achieve integration of industry and trade is an important content of restructuring the economic system; this question is now being noticed and studied in the big municipalities throughout the country. In order to cope with the needs of the open policy and accelerate the speed of restructuring the economic system, Qingdao municipality began in 1982 to set up trial points to integrate industry and trade. It has established three integrated bodies of industry and trade--namely, the Qingdao Textile Joint Import and Export Company, the Qingdao Beverage Import and Export Company, and the Qingdao Rubber Products Import and Export Company--with over 70 member factories. In view of the actual situation, the procedure of integrating industry and trade is very difficult; there are numerous questions in the course of reform and there are several lessons to learn. However, both positive and negative experiences prove that integration of industry and trade is the only way for the open policy.

I. Integration of Industry and Trade Is an Important Prerequisite for Opening Up the International Market and Developing Our Country's Social Productivity

In the final analysis, the proposal of the principle of enlivening the domestic economy and adopting the open policy toward foreign countries is based on the nation's current standard of the development of the productive forces. Our objectives and tasks of adopting the open policy are to utilize both the domestic and international market to incessantly improve and develop the social productive force. Integration of industry and trade can effectively link these two markets and enable the enterprises to, by means of conducting economic activities with foreign countries, broaden their horizons, undergo training, and achieve improvement. The "Qingdao Textile Joint Company" allowed its member factories to participate in its business activities, whether they were talks with foreign enterprises or promotional trips abroad; it even allowed the member factories to send representatives to be stationed in the company and to participate directly in the company's various economic activities, thus enabling the production enterprises to gain better understanding of the international market. Practical experience has proved that the production enterprises' degree of understanding of the international market is closely related to the percentage of economic returns of foreign trade and export. In 1984 and when compared to the "Foreign Textile Company," the commodity circulation cost of the "Qingdao Textile Joint Company" was 1.49 percent lower and the foreign exchange production cost was 0.44 yuan lower. Since the Qingdao Beverage Import and Export Company carried out business activities with foreign countries, there were direct dealings between the enterprises and the customers, communication feedback was fast, sales volume was expanded, and its adaptability to the international market has been strengthened. Two years ago, some customers in the United States said that the packing of 2 dozen big bottles of beer was too heavy, affecting its sales in the U.S. market. The company then arranged for the production of 17,000 boxes each containing 1 dozen big bottles of beer last June, and the customers were very satisfied.

In order to cope with the various demands of the international market, we must quicken our pace in foreign economic activities. Integration of industry and trade reduces indirect links and effectively improves efficiency of work. For instance, there is a time limit for storage of beer and similar products; despite that Qingdao beer can be kept good for half a year under room temperature, the fresher the beer, the better the taste. The prolonged transportation period for export to Europe and the United States was a difficult question to resolve in the past. However, obvious improvements have been made since the Qingdao Beverage Company started to deal directly with foreign business and strengthened management.

The other objective of the open policy is to absorb advanced technology from abroad and incessantly improve the quality of enterprises and products. Integration of industry and trade can effectively give play to this role. Actual experience has proved that integration of industry and trade must always be accompanied by integration of technology and trade and that the latter can consolidate the development of the former. The two complement each other. The Qingdao Beverage Import and Export Company made use of integration of industry and trade to launch integration of technology and trade, the foreign merchants took the initiative to provide equipment for examination and analysis, solved the question of reducing air content in the bottle, increased the proportion of carbon dioxide, and resolved the questions that had remained pending for several years. The "Qingdao Textile Joint Company" has, by means of launching integration of industry and trade, assisted member factories to renovate 405 sets of corduroy spinning machines, renew 372 sets of cotton spinning machines, and repair an area of 4,000 square meters of storage space.

It is also possible to cultivate and train people in knowledge of production and foreign trade by means of integrating industry and trade. When industrialists have acquired knowledge on foreign trade business, they would also have knowledge of both production and foreign trade, and this is extremely beneficial to adopting the open policy. Integrated bodies of industry and trade have attached considerable importance to cultivation of talented people and have always selected and recommended management personnel from various departments such as business, financial accounting, manufacturing, transportation, and so on to attend training classes organized by the foreign trade departments or invited people from the foreign trade departments to give talks to these responsible persons. Thus, they were able to cultivate a batch of skeleton staff to handle foreign trade work in a relatively short time.

II. Integration of Industry and Trade Must Be Accompanied by a Complete Set of Reforms to the Current Economic System

Although integration of industry and trade is feasible generally speaking, it is practically inappropriate under the present circumstances in which the economic system has not been reformed in an overall way. Viewed from the angle of integration of industry and trade, many questions seem reasonable and feasible; however, we have always been disappointed due to certain restrictions in the current system. We are faced with a very practical problem: Integration of industry and trade cannot be carried out alone, but a complete set of reforms to the current economic system is needed. Only by so doing can we provide good external conditions for integration of industry and trade to adapt to and speed up the open policy.

A. As far as the foreign trade system is concerned, we should mainly include trial points of integration of industry and trade into the reform of the foreign trade system, giving them the same treatment as the foreign trade enterprises. The purpose of this is to compare the integrated bodies of industry and trade with the foreign trade enterprises, find out which system suits the actual situation of China, and further specify the direction for reform in the foreign trade system. We must promptly work out a solution to the several questions that follow:

1. The question of handing over foreign clients. Since liberation, our nation's foreign trade has basically been handled only by the foreign trade departments and numerous international clients have been secured. Since the establishment of the integrated bodies of industry and trade, the foreign trade departments should hand over to the subordinate member factories their original clients. If we do not resolve this question, activities of the integrated bodies of industry and trade will be restricted due to the question of market and will not be able to display their superiority.

2. The question of participation in trade with countries that abide by trade agreements. It is stipulated in Document No 5, 1985 issued by the State Council that trade talks with countries that abide by trade agreements conducted by the foreign trade subcompanies concerned, companies integrating industry and trade, and production enterprises are to be centrally organized by the General Import and Export Company. However, this question is not yet completely settled. Companies integrating industry and trade are joint enterprises that possess better production conditions; they are capable of shouldering export tasks to countries that abide by trade agreements. Moreover, the economic results are very good because large quantities of goods are produced, prices are high, and the proportion of intensive processing is large. We should give full play to this superiority in order to gain the faith of countries that abide by trade agreements.

3. The question of export quotas. Taking the "Qingdao textile joint system" as an example, its export volume has doubled since its establishment but the export quota allocated to it by the Ministry of Foreign Economic Relations and Trade remained the same as that of 1982. In 1985 in particular, China's textile export quotas to the United States were increased by a large percentage, but the "Qingdao textile joint system" was not even given a quota of an extra meter of cloth or an extra dozen knitted products. This has seriously affected the "Qingdao textile joint system" in its opening of markets abroad. In my opinion, the allocation of export quotas should be based on three conditions: First, the proportion of export and favorable condition of ports; second, export of superior quality goods and commodities that are able to open up markets should be encouraged; third, it is necessary to appropriately allocate quotas to enterprises integrating industry and trade and foreign trade enterprises and strive to give preferential treatment to the former.

4. The question of trademark. According to reflection made by the Qingdao Beverage Company, trademarks registered by the foreign trade departments overseas have not yet been handed over to the integrated bodies of industry and trade. As a result, the trademarks abroad are registered in accordance with the products of enterprises integrating industry and trade but they are indiscriminately used by enterprises that do not belong to the integrated bodies of industry and trade; the quality of products does not meet the standard, thus ruining the reputation of the brand in the international market. I think that the trademark is the reputation and should follow the product. Registration of an enterprise or product should only belong to that particular enterprise or product. We must not arbitrarily retain or transfer the registration in order to ensure the truthfulness and seriousness of the trade registration.

B. The crux of the financial system lies in resolving the question of disconnected channels and usage of capital. In accordance with information reflected by Qingdao's No 1 knitting factory, capital for manufacturing of export products is managed by the Bank of China while capital for the production process is managed by the Bank of Industry and Commerce, and this has seriously affected production. In my opinion, it is necessary to work out a scientific method of management for use of capital. First of all, it is necessary to promote a comprehensive balance and smash division of departments, and take the overall situation into account. Only transferring credits that have been deposited into the Bank of China to the Bank of Industry and Commerce does not mean reducing credits or increasing capital. Second, when we place orders from foreign countries, the foreign merchants only require the certificate of credit of the Bank of China to have the goods delivered and never demand payment in advance. When the Bank of China demands full payment of cash deposit in advance, it only implies that the foreign merchants trust the Bank of China but that the Bank of China does not trust the enterprises and the Bank of Industry and Commerce. We are only creating restrictions for ourselves by so doing. Third, payment is sometimes made prior to the delivery of goods. Although this increases the interest income of the banks, the production cost of the enterprises is also increased and the enterprises' returns are lowered. This financial management method is detrimental to integration of industry and trade and to the improvement of economic results.

C. As far as the financial system is concerned, we must mainly resolve the question of checking and ratifying the foreign exchange production cost and the question of overall financial accounting. The reasons are: First, since central finance and local finance have been separated, the local financial departments must take the risk of changes of the foreign exchange rate in the international market and instability of prices. All this affects local financial revenue and thus the local financial departments are reluctant to implement overall calculation of international price of exports. Second, the enterprises are unable to bear the drastic changes of the tax rate in the international market. Third, the checking and ratification of the foreign exchange production cost is very irrational. For the past several years, there have been great changes in the foreign exchange rate, but the contracted foreign exchange production cost has remained unchanged. As a result, the foreign exchange production cost ratified by the foreign trade enterprises tends to be relatively high and this is difficult for motivating the export initiative of enterprises integrating industry and trade. Fourth, the question of subsidies to differences of the foreign exchange production costs. Regarding the integrated bodies of industry and trade, due to the changes in the international markets and increasing prices of raw materials, we must not only appropriately readjust the foreign exchange production cost, but the central financial authorities should also give subsidies for the differences between the actual foreign exchange production cost and the ratified foreign exchange production cost caused by objective factors in the same way as they subsidize the foreign trade enterprises.

Before we carry out big reforms to the general financial system, we must support and give subsidies to enterprises integrating industry and trade. The specific implementation can be carried out in a planned way according to different situations. We can ratify the foreign exchange production cost of enterprises integrating industry and trade that are able to reach the standard and carry out appropriate readjustments in accordance with the changes of the international market. Regarding the enterprises integrating industry and trade that are unable to reach the ratified foreign exchange production cost, the difference between the actual foreign exchange production cost and the ratified foreign exchange production cost can be totally subsidized by the central financial authorities for the first 2 years, or allow the enterprises to contract for the planned amount of subsidy so that they can be solely responsible for the surplus or deficits; a planned amount of subsidy can be achieved for the following 3 years which is to be shared by the local and central financial authorities in the ratio of four to six; the enterprises should be able to take up sole responsibility for their own profits and losses from the next 5 years onward and should be able to accommodate the differences. This method of gradual transition enables the enterprises integrating industry and trade to gain development because of actual but not verbal support.

D. The price system must also carry out reforms accordingly. The basic trend of reform is that the domestic prices get closer to the international prices and that the two prices can be hooked up in order to reduce state subsidies, improve export results, and create better conditions for enterprises integrating industry and trade to be responsible for their own profits and losses. The specific method of hooking up domestic and international prices is that prices of export products to the international market are to be fixed in accordance with the prices of the international market; prices of products that are both sold in the domestic market and exported to foreign markets are to be fixed in renminbi in accordance with the export price; prices of imported products sold in the domestic market are to be fixed in renminbi in accordance with the exchange rate for imports plus tariff; prices of similar domestic products are to be fixed in accordance with such prices. We should gradually reduce the price difference between the domestic and international markets by means of reforms in order to create conditions for enterprises integrating industry and trade to achieve overall calculation of international prices of imports and exports.

III. It Is Necessary To Proceed From the Actual Situation To Achieve Integration of Industry and Trade and Choose Multiple Forms

Integration of industry and trade includes both integration of technology and trade and integration of import and export. It is hard to find an ideal unified form; we must proceed from the actual situation of various cities and implement multiple forms with different characteristics.

1. We may implement both close integration and loose integration. Close integration means that several member factories can form an economic body and carry out unified accounting and this may exist as a first class legal body. Loose integration means that the enterprises carry out partial integration to deal with foreign business in accordance with export needs. Any form of integration, whether close or loose, should implement the principle of voluntary participation and must never implement forced matching or combined administration. At present, the three integrated bodies of industry and trade established in Qingdao city belong to the type of close integration but are basically joint in accordance with administrative measures. If possible in future, it is necessary to carry out reintegration in accordance with the above principle and the actual situation. We must on the one hand allow enterprises to join integrated systems of industry and trade of the related business and on the other hand allow them to join other integrated systems and carry out direct export in the foreign trade departments or in other ports.

2. We may implement both integration of industry and trade with the main emphasis on industry and integration of industry and trade with the main emphasis on foreign trade. Integration of industry and trade with the main emphasis on industry mainly means that the industrial departments run foreign trade business as well and their products are mainly for the domestic market, with only a small portion for export; domestic products are accorded a higher priority than export products and the domestic market is to be speeded up by exports. Integration of industry and trade with the main emphasis on foreign trade means that the foreign trade enterprises run industries and produce export products in accordance with the demands of the international market.

This kind of integration of industry and trade enhances the products' adaptability and flexibility in the international market.

3. We may implement integration of industry and trade both in the form of agent and in the form of partnership business. The agent system is a relatively common form of integrating industry and trade--the foreign trade enterprises are entrusted by industrial enterprises to carry out foreign trade and the industrial enterprises are responsible for the expenses incurred; the task of the foreign trade enterprises is to sign contracts with the foreign merchants and act as a medium, not bearing any liabilities. The system of partnership business is another common form of integration of industry and trade--the foreign trade enterprises and the industrial enterprises join as partners to do business; they share the same liabilities and interests. As far as the extent of cooperation is concerned, some are limited to marketing, while others are involved both in production and marketing of products.

4. We must allow industrial enterprises to directly enter the international market. However, we must exercise strict control at present on this kind of integration of industry and trade. In order to deal with direct export, the production enterprises must possess the following conditions: 1) The production enterprises occupy an important position in export business, their production output of export products should account for at least 20 percent of the total production output, and over 50 percent of raw materials and means of production should be imported from abroad; 2) they should undertake the state's mandatory export foreign exchange tasks; 3) they should possess the establishment, capital, and cadres for launching foreign trade business. The number of enterprises possessing these conditions will be on the increase among the various big cities throughout our country, and this kind of integration of industry and trade will definitely gain great development.

IV. Integration of Industry and Trade Must Be Based on Increasing the Activities of the Enterprises

The mere initiative of the foreign trade departments is insufficient for promoting the open policy and developing foreign trade business; it is more important that we give play to and motivate the initiative of the production enterprises, change the factories' passive attitude of being unconcerned and aloof to foreign trade, and turn the factories into progressive bases of the open policy.

1. It is necessary to adopt positive measures to link foreign exchange output with interests of the enterprises. At present, we should adopt the following encouraging policies and methods: 1) It is necessary to accordingly readjust and increase the enterprises' proportion of foreign exchange in accordance with the situation of the fulfillment of the foreign exchange output plan. The state now stipulates that only 25 percent of foreign exchange is to be shared in the ratio of 1 to 1 between the province and the cities, which is then shared in the ratio of 4 to 6 between the city and the trades, and again equally shared between the trade and the enterprises. As a result, the

enterprises can only be given a proportion of 3.75 percent of foreign exchange. This method of foreign exchange division deprives the enterprises integrating industry and trade of the capacity of paying foreign exchange for imported raw materials. Thus, we suggest that in future when the state assigns mandatory foreign exchange output plans to the export enterprises, it should increase the proportion of foreign exchange in enterprises that can satisfactorily fulfill the plan, the enterprises should be given 25 percent or even more. 2) It is necessary to rationally share the profits among the members of the integrated bodies of industry and trade. When the enterprises gain profits, the integrated bodies of industry and trade will be able to generate a higher centripetal force. 3) We suggest that the state establish an honorary list of export enterprises and an encouragement fund for foreign exchange output, giving both spiritual and material encouragement for the enterprises to produce more export products and earn more foreign exchange income. 4) As far as enterprises that earn more foreign exchange income each year but of which the achieved profits are reduced by a large percentage are concerned, it is recommended that the central financial authorities withdraw their accounts and that the provincial and municipal authorities give appropriate subsidies to resolve the question of reduced retention of profits in the enterprises. The specific measure is to maintain the basic standard of retention of profits ratified in the second stage of replacing profits submission with taxation.

2. It is necessary to incessantly improve internal management and implement a strict and scientific method of checking and ratification. We must gradually establish the following systems of management inside the integrated bodies of industry and trade: First, a rational accounting system. The form and system of accounting inside the integrated bodies must never be rigid, and we should use various methods that suit the actual situation in order to promote the internal situation of the integrated bodies. Second, we must establish a system of regular analysis of stored products. On the basis of regular analysis and clear responsibilities, the bank can assess the proportion of capital used for the products and supply capital in a planned way, in accordance with the actual needs for production and the production of exports. The enterprises should be charged extra interest for capital used beyond budget and should be imposed credit sanctions for blind production. Third, we must establish a scientific examination system. We must not take the foreign exchange production cost as the sole criterion for assessing the situation of integration of industry and trade, but must examine various comprehensive standards. We must attach primary importance to making foreign exchange income which indicates the overall interest of the state; second, we must examine the quality of products and the rate of fulfilling contracts to ensure the life and reputation of the products; we must also examine the foreign exchange production cost and the achieved profits. This can enable the enterprises integrating industry and trade to improve economic returns in an overall way.

3. It is necessary to improve the quality of the enterprises and tap the internal potentials of the enterprises. In view of the competition of the international market and the situation of the open policy, the quality of the enterprises integrating industry and trade face the following challenges:

1) Feedback must be accurate, sensitive and fast. 2) It is necessary to make more efforts on establishment of the staff force. Apart from cultivation of staff in actual work, we should also transfer and recruit certain skeleton workers from the foreign trade departments who have production and foreign trade knowledge in order to cope with the needs of the open policy. 3) It is necessary to promote intensive processing of products.

The CPC Central Committee's proposal on the Seventh 5-Year Plan pointed out that we should accord first priority to reforms. We believe that the path of reform of integration of industry and trade will definitely become broader and will play its role in the work of opening up to foreign countries.

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ECONOMIC MANAGEMENT

ISSUES IN PRICE REFORM DISCUSSED BY INSTITUTE DIRECTOR

Shanghai SHANGHAI JINGJI [SHANGHAI ECONOMY] in Chinese No 3, 15 Jun 85 p 5

[Article by Xu Zhihe [1776 0037 3109], director of the Institute of Departmental Economics of the Shanghai Academy of Social Sciences: "Critical Issues Concerning Price Reform"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the state has already carried out some adjustments and initial reforms on prices. This has played a considerable role in the development of the national economy. However, the current price system is still irrational. Not only does it obstruct the improvement of economic results, but it also is unfavourable to the reform of the economic system and the implementation of the policy of opening to the outside world. It is extremely unfavorable to developing the national economy in a harmonious fashion and to meeting the needs of people's livelihood. The time has come when we must carry out reform in order to advance. At present, we have decided to basically handle the price system properly within 5 years. Since 1985 is the first year of the reform of price system, taking into consideration the financial capability of the state, the absorption capability of the enterprise and the endurance of the masses, the State Council has decided to adopt the policy of combining relaxation with adjustment and taking small steps forward. Meanwhile, it is necessary to proceed from reality and implement the principle of "upgrading and downgrading" in an effort to stabilize commodity prices as a whole. In his report on the work of the government at the Third Session of the Sixth National People's Congress, Premier Zhao put forward four main issues and five measures of guarantee for the price reform in 1985. Currently, the various localities are conscientiously implementing the above. In order to take the important step forward properly in the price reform, I feel that we must also attach importance to the following issues.

I. After implementing fixed procurement by contract of grain and cotton and relaxing the price control over other agricultural sideline products, we should offer guidance to the peasants. The rural areas are not properly informed about the domestic and foreign markets. The peasants must gradually adapt to market production. Without guidance, blindness may appear in the restructuring of the agricultural production structure, which will result in economic losses. In the grain and cotton producing areas, the state monopoly of purchase and sales is replaced by preferential prices and protective prices according to contract. This may lead the problem of reduction of the peasants' income, which may affect the enthusiasm of the peasants. The increase in the non-staple food prices may lead to the increase in relevant prices, resulting in indiscriminate price increases which may affect the people's livelihood. We must anticipate these circumstances and adopt some measures in advance to avoid them as best we can.

II. With the increase in short-distance rail transport charges, the demand for water and highway transport will increase. Currently, the highway conditions are still poor, with a shortage of motor vehicles to meet the demand. Importation of motor vehicles is necessary. The water transport facilities are obsolete and underdeveloped. Transformation and improvement are necessary. These situations will increase the burdens of state investment and foreign exchange. We must pay attention to and try our best to solve these problems.

III. The reform of the price system is the key to the reform of the overall economic system. We should handle properly the various relationships correspondingly. We must conduct thorough investigations and study, and strive to gradually set up a price system that is based on both values and the relationship between supply and demand. The price administration departments must control prices by observing the objective economic laws, and not by relying excessively on administrative decrees. We must truly allow commodity prices to go up and down and strive for a stability in the overall level of commodity prices. In particular, we must handle properly the relationship between the price reform and the wage reform. If commodity prices increase before wages increase, and commodity prices increase again after wage increases, followed by another wage increase, a vicious cycle will be formed, which will be difficult to cope with. We must coordinate the price index with the wage index and let the rate of growth of commodity prices fall behind the rate of growth of wages in order to ensure the continuous improvement of the people's standard of living.

IV. We must adopt some specific measures to strengthen price control. In addition to formulating relevant policies and laws of price control, we must also formulate detailed regulations on implementation in order to make the laws effective. The various enterprises must assign specific individuals to be in charge of price control and to guarantee the implementation of the state price policies. We must set up a system of clearly marked prices easy for supervision and inspection by the masses. We must set up a price suggestion box to gather information on acts of indiscriminate price inflation without delay and to investigate and handle these acts strictly. We must persevere in carrying out price supervision and inspection properly, and mete out rewards or penalties accordingly. We must find several typical cases of indiscriminate price inflation and deal heavy blows to them in order to educate the cadres and masses.

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FINANCE AND BANKING

PREREQUISITES FOR SHANGHAI TO BE FINANCIAL CENTER DISCUSSED

Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] in Chinese 23 Sep 85 p 9

[Text] "Appropriately adding financial institutions is a key prerequisite for Shanghai to become a financial center and a necessary step to break the monopoly of credit business. It is also an important link for invigorating finance and utilizing funds well." The above is unanimously indicated by the personages of the Shanghai's financial circle in an interview with our reporters.

The specialists told the reporters that the central authorities had pointed out before that "we should establish a socialist financial system with the central bank as the center and the specialized banks as the main bodies and with the coexistence of diverse financial institutions." As we all know, the financial system is consituted by not a few but many financial institutions. As the most developed region of productive forces in the country, Shanghai not only should try by each and every means to raise more funds, but more importantly should effectively utilize the funds and flexibly allocate these funds. Therefore, for a future period, Shanghai should consider setting up various new financial institutions.

First, we should consider letting the former joint state-private banks of the Chinese banking groups in Hong Kong to set up branches in Shanghai. Currently, there are 13 Chinese bank groups in Hong Kong. Of these, some former joint state-private banks had established historical relationships with Shanghai and had established main offices in Shanghai before the "Cultural Revolution." They are the Xinhua, Jincheng, Zhejiang Xingye, Zhongnan, Guohua and Yanye banks. These banks have moved their main offices to Beijing in 1980. Their business in Hong Kong is especially flourishing. These banks all have more than 10 branches in Hong Kong. Some even have 20 branches. These banks have good credit and considerably large amounts of deposits. After being listed as an open city, Shanghai has become quite attractive to these banks, several of which have expressed the willingness to set up branches in Shanghai.

The specialists maintained that if we allow these banks to set up branches in Shanghai, we can utilize their current financial network and customer relations and the wide contacts with various large banks in the world to set up another channel for importing foreign capital and facilitating the expansion of the foreign trade export business, as well as obtain overseas financial information without delay and invigorate the Shanghai financial market.

Second, the specialist proposed that we should allow foreign banks to set up branches in Shanghai for business. Among the 17 foreign banking agencies in Shanghai, some have already expressed the wish of do business in Shanghai. We should consider allowing a group of reputable banks in Japan, the United States, France, Italy, West Germany and other countries, which have had more contacts with us, to set up branches for business. The specialists pointed out that the entry of foreign banks will indeed cause some problems in administration and in business competition for the Chinese banks. However, letting more foreign banks do business in Shanghai has its positive impact. We can conveniently raise foreign funds nearby as well as bring in foreign investment through these banks. We can conveniently import and digest the advanced operational technology of the banks of various countries in the world. We can also, through practice, train our own qualified personnel in international financial business and foreign exchange management.

Third, we can consider setting up a national comprehensive bank in Shanghai. This has actually been approved by the central authorities. Our present problem is that, although we have begun our preparations, we are making slow headway. We must adopt more effective measures and change the ways and means of preparation to speed up project.

Fourth, some personages of the financial circle also maintained that Shanghai may set up a Shanghai City Bank or City Construction Bank. Its main duties are to absorb the idle capital in the city, to act as a collecting agent of local financial taxes, to issue local urban construction bonds, and to support the development of the local economy.

The specialists further indicated that, in light of the new economic situation, we should also further broaden the train of thought and untie ours own hands and feet. Currently, the collective economy and individual economy are developing rapidly and are playing more and more important roles in the realms of production and circulation. The urban collective credit business should organize itself accordingly. We must set up "people-run" and not "official-run" urban credit cooperatives. Then, on the basis of having established several cooperatives, we should set up city-linked cooperatives, which will ultimately become the major force in the fund transaction between urban collective enterprises and the individual households.

In addition, to further invigorate the financial situation, we should consider setting up some non-bank financial institutions. These institutions include insurance companies, financial affairs companies, leasing companies, trust companies, investment companies and others. These financial intermediary institutions may be run by ministries, cities, or fraternal provincies. They may also be collective operations, joint operations, joint ventures or investments by Hong Kong businessmen. The establishment of these intermediary institutions will help raise the funds needed for local constructions and will also help attract foreign capital and invigorate the financial situation. These institutions should be put under financial administration by the People's Bank. The specialists maintained that, currently we can stress the development of local, business and professional insurance companies and set up an old-age pension system. This will gradually distribute evenly the enterprises' burdens, safeguard the old-age livelihood of the staff members and workers, and accumulate huge funds for the state.

Lastly, these specialists, who are proficient in financial matters, pointed out that we must clarify the misunderstanding by some people, who always feel that more financial institutions will easily result in confusion and hinder the implementation of macroeconomic control. Bringing into play the roles of various types of financial organizations is an important link in the reform of the economic system, especially the financial system, and is a necessity for the four modernizations. It does not prevent the central banks from controlling the macroeconomy. The specialists indicated that the unified and centralized nature of financial work is quite strong. The formulation and implementation of the reform program for the entire financial system should be put under the unified consideration and planning of the state. However, Shanghai should take the lead in the reform of the financial system in light of the necessary limits of authority conferred upon it by the State Council as well as the spirit of the special policy relevant to it.

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FINANCE AND BANKING

QUESTION OF INFLATION DUE TO PRICE REFORM DISCUSSED

Beijing GONGREN RIBAO in Chinese 18 Nov 85 p 2

[Article by Wang Shimin [3769 0013 3046] of the Staff Ideological and Political Work Study Committee of the Propaganda Department of the Party Committee of the Shanghai Steam Turbine Factory: "Will the Reform of the Price System Result in Waves of Price Inflation?"]

[Text] Following the price increase of some commodities in the 4th quarter of last year, the prices of some commodities have increased again this year. Some of our comrades are worried that the reform of the price system may result in waves of price inflation. The emergence of this feeling is due to the following: First, some comrades have suffered from price inflation in waves in the old society. Second, in the 4th quarter last year, due to the lack of strict control over credit funds and consumer funds, the banks issued too much currency, which affected prices and brought about fear in people's hearts. The emergence of these worries is natural but unnecessary. This is because our reform of the price system is instituted under leadership and in a planned manner step by step under the socialist system and cannot possibly result in waves of inflation. The following are the reasons:

I. The reform of the price system and the widespread price inflation in waves are two essentially different matters. Before liberation, the widespread price inflation in waves in our country resulted from the corruption and improper system of the reactionary government, the undermining of production, the shortage of materials and the indiscriminate issuance of currency. However, our current reform of the price system is carried out under the terms of the development of production and the daily-increasing abundance of materials. The reform of the price system is a structural readjustment with the goal to handle properly the relationships by adjusting upward the prices of those commodities, the values of which are higher than the prices and the demand of which is higher than the supply, and by adjusting downward those commodities, the values of which are lower than the prices and the supply of which is higher than the demand. Thus, prices do move up and down and will not result in inflation in waves.

II. On the road of our reform of the price system, some temporary problems have arisen, but we have fundamentally implemented the following measures: 1) Strictly controlling the issuance of currency; 2) controlling the issuance of credits; 3) controlling the investment in fixed assets; and 4) resuming the administration of wage funds this year. It has generally restrained the price inflation in waves.

III. The state is fully capable of withdrawing currency from circulation. Some of our comrades have heard that the state has issued more currency last year. They are somewhat alarmed and are worried that prices will go up when the amount of currency in circulation exceeds the real demand. Though we must not treat this problem lightly, we must not be panic-stricken. We should believe in the state's full capability to withdraw currency from circulation. In the early post-liberation period from 1949 to February 1950, the country experienced financial difficulties. The currency issued increased from 1.85 million yuan in 1948 to 300 million yuan in a short time, an increase of over 160 times. We remember that at that time one dan of rice, priced at 50,000 yuan in the daytime, went up to over 60,000 yuan in the evening. In spite of the severely difficult sitaution at that time, we still overcame our difficulty by implementing the following two measures: One was to sell "two whites, one black" (namely rice, cloth and coal) in large quantities, which controlled the prices of the basic consumer goods. Another was to issue the first construction bonds which totalled 120 million yuan. In the early 1960's, the country experienced great financial difficulties. An excess of 7.28 billion yuan was issued. At that time, the state carried out the following three measures. First, for 18 items of daily necessities (later increased to over 90), we adopted the measure of supply with voucher. Second, through selling pastries and candies at high prices and offering high-price dishes in restaurants, we recovered 1 billion yuan of currency. Third, the state controlled the amount of currency issued. The problems were eventually solved. Thus, although more currency was issued last year, it was only a problem in the midst of progress. Currently, it is not as difficult as in the past to withdraw the currency which has been issued in excess, and it is therefore unnecessary to adopt the previous measures.

At present, we have generally adopted the following nine measures to withdraw currency from circulation: 1) Producing more marketable high-quality and name-brand products; 2) vigorously developing the tertiary industries, especially developing non-commodity industries (such as the advertising business); 3) selling some marketable residential housing; 4) issuing more state treasury bonds; 5) selling small state-owned enterprises (this was originally a tentative plan in the economic reform); 6) properly enhancing the interest rate of savings deposits to encourage people to increase their savings; 7) reducing the group purchasing power by 10 to 20 percent less than before (restricting the purchases of high-grade consumer goods with public funds); 8) importing and selling some needed foreign high-grade commodities; and 9) supplying some gold for making jewelry to sell.

IV. The state can stabilize prices through state-owned commerce. In our country's economy, the system of ownership by all people is the main body, the collective is the assistant, and the individual is the supplement. The main economic lifelines are stably controlled by the state. The state has great strength. In 1984, the grain yield was 407 million tons, cotton yield was 6.077 million tons, and edible oil yield was 11.852 million tons. The country's abundant materials can be a powerful backing. The state-owned commerce can fully play a powerful role in stabilizing prices. When prices were relaxed in a general scale in Guangzhou City, some prices went up by a margin in the beginning. But they were lowered afterwards. What were the reasons? On the one hand, the economic levers played their roles. For example, black carp, crucian carp and bream were priced at over 3 yuan per jin in the beginning. With an increase in production in the last 2 years, their prices have stabilized at around 1.5 yuan per jin. On the other hand the state is the backing. When the prices go up too much, large quantities of goods and materials are transferred from inland, which bring the prices down.

V. The State can also utilize economic, administrative and legal measures to strengthen control. For example, a shop in Shanghai buys ham at parity and sells it at a negotiated price. The ill-gotten gains, which infringed upon the interests of the consumer, have been confiscated, and the shop was imposed a fine. The manager was also discharged from his post.

VI. To solve the inversion of purchase and sale of agricultural sideline products, the implied subsidy is changed into obvious subsidy. That is, the state allows the increase in the sales prices of agricultural sideline products, and subsidizes the consumers with the money which was formerly used to subsidize the peasants. Some people are worried that this will cause a chain reaction of price inflation. In fact, this is merely a change in the form of subsidy which does not involve the increase of currency in society. Thus, it will not cause a price inflation in waves when the amount of currency in circulation exceeds the real demand.

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FINANCE AND BANKING

INSURANCE INDUSTRY DEVELOPMENTS REPORTED

Hong Kong JINGJI DAOBAO [ECONOMY REPORTER] in Chinese 1 Jan 86 pp 68-69

[Report by Special Correspondent: "New Progress in China's Insurance Business; an Interview with Qin Daofu, General Manager of the China People's Insurance Company"]

[Text] After China's insurance business has achieved good results continuously for 5 years, the insurance premium earnings have again increased by a relatively wide margin in the first half of last year. From January to June, the various insurance premium earnings of the China's People's Insurance Company totaled nearly 1.5 billion yuan, an increase of over 60 percent compared with the same period of the year before last. Of these, the domestic insurance premium earnings totaled over 1.1 billon yuan, an increase of about 82 percent compared with the same period of the year before last; the overseas insurance premium earnings totaled about $120 million, an increase of about 33 percent compared with the same period of the year before last.

Recently, a reporter had an interview with Mr. Qin Daofu [4440 6670 1133], general manager of the China People's Insurance Company, who graciously replied to the questions posed by the reporter.

New Life in the Midst of Relaxation and Reform

General manager Qin Daofu said that the Chinese insurance business has become increasingly more vigorous in recent years. Up to the end of 1984, with the exception of Xizang and Taiwan, the China People's Insurance Company has established 2,100 branches in the nation's 28 provinces, autonomous regions and municipalities, with over 36,000 employees. In 1980, the total insurance premium earnings were 470 million yuan (including overseas business). In 1984, it increased to 1.98 billion yuan, an increase of 3.3 times with the annual growth rate of 44.68 percent.

He said: However, the development of the Chinese insurance business was not smooth sailing. It has traversed a tortuous road of development.

General manager Qin recalled that the Chinese national insurance business began in 1885. Today, it has enjoyed a history of exactly 100 years. Before liberation, the insurance business developed slowly because it suffered from longstanding suppression, exclusion and blows by foreign capital. At that time, there were few national insurance companies, and the domestic insurance market was monopolized by foreign capital. Also, the companies were concentrated only in the several large coastal cities, such as Guangzhou and Shanghai.

In October 1949, the China People's Insurance Company was established. By the end of the 1950s, there were over 4,600 Chinese insurance organizations, employing over 50,000 staff and workers. However, after 1959, the Chinese insurance business was obstructed. With the exception of the overseas insurance business, which continued to operate, the domestic insurance business was closed down entirely. The situation continued to the end of 1979.

Since the end of 1979, with the implementation of the policy of opening to the outside world and revitalizing the economy domestically, China's insurance business has embarked on a healthy road of development. The business of the various branches of the China People's Insurance Company are expanding continuously. A new flourishing situation has appeared. By 1984, the insurance company has set up over 120 varieties of domestic insurance business, with a total of over 1.5 billion yuan in insurance premium earnings. That year, the insured enterprises totalled nearly 340,000, the insured households totalled 13.84 million, the insured motor vehicles totaled nearly 2 million, and the various life insurance participants totaled 2.876 million. The various provinces, autonomous regions and municipalities (all but Xizang and Taiwan) throughout the country have overfulfilled their year's plans.

The Abrupt Rise of Rural Insurance Business

General manager Qin said: Since the reform of the rural economic system, the insurance companies have handled the rural insurance business in order to develop rural commodity production and support the peasants in scientific farming. At present there are over 40 insurance items, including rural property, motor vehicles, freight transport, ships, fishing boats, animal-drawn carts, and the planting undertaking, breeding trade and others. By the end of 1984, the Chinese rural insurance values amounted to 95.7 billion yuan and the insurance premium earnings totaled more than 330 million yuan, showing respective increases of nearly 2.5 times and 2.6 times over the preceding year.

In light of rural reality, the insurance companies of various provinces and municipalities have handled many new insurance items since last year. For example, the insurance companies of Liaoning, Shanghai, Jiangsu, Hubei, Guangdong, Jiangxi and other places have tried out the fish-breeding insurance. The Yangxin County Insurance Company in Hubei Province has tried out insurance freshwater pearl cultivation. The Qingdao City Insurance Company in Shandong Province is trying out the cost insurance for kelp cultivation. This is welcomed by the local specialized households in aquatic product breeding. In the year before last, Jilin and Heilongjiang obtained an agricultural bumper harvest. The two provinces successively attempted to set up an insurance business in grain storage by peasants for the state in order to remedy the shortage of the state's inadequate grain storage capacity. Nearly 300,000 peasant households have taken out insurance, which totalled more than 1.6 billion jin of insured grain.

Qin said: Currently, the proportion of rural insurance premium earnings in the total domestic insurance premium earnings have increased from 12 percent in 1983 to 22 percent. This situation indicates that the structure of China's domestic insurance business is gradually moving from development of the urban business primarily and the rural business secondarily to simultaneous development of both the urban and rural businesses.

Rapid Development of Property Insurance

Qin told the reporter that the domestic property insurance business has developed significantly with the continuous development of China's national economy and the daily-improving standard of living of the people. With the deepening of the reform of the economic system, more and more state-owned enterprises, collective enterprises, rural and township enterprises and individual businessmen have taken out insurance. Particularly worth mentioning is the fact that after the state-owned enterprises have implemented management on their own and assumed sole responsibility for their profits and losses, participating in insurance plans has become a necessary business measure in assuming responsibility for the safety of the state's properties. Statistics show that the insurance premium earnings of domestic enterprise property insurance totalled 450 million yuan, a 20.5 percent increase over the same period of the year before last. By the end of June last year, over 196,900 state-owned, collective and individual enterprises in China have participated in property insurance plans, over 73,7000 were state-owned enterprises and over 41,700 were collective enterprises. These were the largest figures since Liberation.

Qin revealed that, in respect to insurance premium earnings, motor vehicle insurance has become the second biggest insurance item in domestic business in China in recent years. In the countryside the implementation of this business has provided economic insurance for losses resulting from accidents occurring during transport. It is greatly welcomed by the masses of specialized transport households.

General manager Qin said: In recent years, China's family property insurance and life insurance businesses have developed further. In the first half of last year, the insurance premium earnings of individual family properties totaled 30 million yuan, a 169.8 percent increase over the same period of the year before last, the insured urban and rural families totaled 11.76 million. The worker's pension insurance and simple life insurance of urban and rural collective enterprises, which are offered widely by various insurance companies, have increased. Some branches have also opened many other insurance policies, such as group life insurance, group personal accident insurance, additional medical insurance, highway-passenger accident insurance, ship-passenger accident insurance, air-passenger accident insurance, tourist accident insurance, personal pension insurance, personal medical insurance, recreation accident insurance, and so on. In the first half of last year the insurance premium earnings of life insurance totalled 133 million yuan, basically fulfilling the whole year's plan. Five million people have participated in different life insurance policies.

In 1984, in the various domestic businesses, the China People's Insurance Company handled over 420,000 cases of compensation involving a total of 650 million yuan and a compensatory rate of 43 percent. In the first half of last year, 350 million yuan in compensation was paid, showing a wide-margin growth over the corresponding period of the preceding year. Qin said: Through insurance compensation, we have stabilized the production and management of enterprises, have settled the people's livelihood, and have lightened the burdens of the financial and social welfare departments.

Increase in Overseas Insurance Items

In respect to the development of China's overseas insurance business, general manager Qin expressed optimism. He told the reporter that the China People's Insurance Company has set up an overseas insurance business in order to vigorously serve the policy of opening to the outside world. With the implementation of the policy of opening to the outside world, the overseas insurance business has developed further. The overseas insurance business has developed from simple import-export freight transport insurance in the early days after Liberation to more than 40 insurance items, including Sino-foreign joint venture insurance, imported materials processing insurance, compensatory trade insurance, construction project insurance, ship construction insurance, oil exploitation insurance, labor-service export insurance, public responsibility insurance, business discontinuation insurance, political risk insurance, nuclear power plant insurance, communications sanitation insurance and others. The China People's Insurance Company can handle all the insurance businesses which the international insurance market can handle. These overseas insurance businesses have adapted to the various demands of the overseas customers and have provided the necessary insurance for the latter. In particular, in light of the depression in the world insurance market and the increase in the trend of deficit of the reinsurance business, in the China People's Insurance Company has promoted its business relationship with the counterparts of other countries and has introduced and saved foreign exchange capital through handling reinsurance business.

In respect to the relationship with its international counterparts, general manager Qin said that, currently the China People's Insurance Company has set up a business relationship of insurance-sharing with nearly 1,000 counterparts of over 120 countries and regions in the world. In 1980, the China People's Insurance Company set up a liaison office in London to strengthen the relationship with its counterparts from other countries. The China People's Insurance Company and the London Branch of the Bank of China jointly set up the China Insurance Company (UK) in London. In 1981, the China People's Insurance Company and the U.S. International Insurance Group jointly set up the China-U.S. Insurance Company in Bermuda, with branaches in New York and Hong Kong. In recent years, the China People's Insurance Company also participated in the Asian Reinsurance Company, which was sponsored by the the Consular Conference of the United Nations and the Economic and Social Council of the Asia Pacific regions; and joined the Southland Insurance Group of the New York Insurance Exchange of the United States. A total of 10 foreign insurance companies have set up agencies in Beijing.

In introducing the situation of compensation in the overseas insurance business of the China People's Insurance Company, general manager Qin said that the China People's Insurance Company all along embraces the spirit of complying with the agreement and keeping one's promise in handling overseas insurance compensation cases. The compensation is always paid quickly. A total of $36.7 million involving various compensation (excluding the reinsurance business) was paid in 1984, as well as $15 million in the first half of last year. In handling compensation cases, the China People's Insurance Company conscientiously clarifies responsibilities. If the carrier is responsible, compensation is recovered from the responsible party by means of various channels and in accordance with the relevant laws. Last year, Guangdong Province handled over 500 compensation-recovery cases of import-export freight transport insurance, involving nearly $400,000. It has effectively supported China's foreign economic trade activities.

Lastly, general manager Qin said: The China People's Insurance Company will further perfect its organization, strengthen its management and improve its service quality. He said: We will adopt more flexible measures to meet our customer's demands and make an effort to open new businesses in order to develop the overseas insurance business by an even wider margin.

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FINANCE AND BANKING

WUHAN STEEL CORPORATION PROFIT TAXES REPORTED

Wuhan HUBEI RIBAO in Chinese 13 Nov 85 p 1

[Report by correspondent Zhang Dongsheng [1728 2639 3932] and reporter He Jinkai [0149 6855 7030]: "Wuhan Steel Realizes 3.967 Billion Yuan Profit Tax during 6th 5-Year Plan"]

[Text] On 4 November at the public lecture on revitalizing large enterprises held by the State Economic Commission, Huang Mobin [7806 1075 3453], Manager of the Wuhan Iron and Steel Corporation, said that the corporation has realized 3.967 billion yuan of profit taxes during the "Sixth 5-Year Plan" period, equivalent to 125.64 percent of the total profit taxes of the 23 years from 1958 when the corporation went into operation to 1980.

The basic approaches of the corporation to improve economic results are:

I. Increasing output. Due to the increase in output, the surplus product taxes and profits totaled 1.8 billion yuan in 5 years.

II. Improving quality. This year the comprehensive approval rate of steel products has reached 99.21 percent, 1.55 percent higher than 1981. In the last 3 years, the output of steel and steel products has respectively increased 1.2 million tons, but the total reject rate of steel-smelting and steel-rolling has corresponding decreased by 0.255 million tons. The rate of outstanding quality products has improved from 6.05 percent in 1980 to 55 percent this year. The comprehensive finished-product passing rate from steel ingot to steel products has improved at an annual rate of 1.6 percent from 1982 to this year.

III. Changing the product structure. Because of the importation of advanced technology, a 1.7 meter steel rolling system has been built, resulting in a major change in the product structure of the Wuhan Iron and Steel Corporation. The profits of the products of the 1.7 meter system constitute over 80 percent of the gross profits of the corporation.

IV. Lowering consumption. During the "Sixth 5-Year Plan" period, the Wuhan Iron and Steel Corporation has offset the factor of price inflation by nearly 640 million yuan. One remarkable attempt has been through saving energy and lowering consumption. The consumption by an output value per 10,000 tons (converted into standard coal) has been reduced from 20.81 tons in 1983 to 16.87 tons this year. The comprehensive energy consumption per ton of steel has been reduced from 1,439 kg in 1983 to 1,243 kg this year.

Huang Mobin further said that these approaches to improving economic results were realized as a result of the perseverance in the reform of the system of organization, the transfer of power to the lower levels domestically, the opening up to the outside world and the reliance on technological progress, all of which have strengthened the vitality of the enterprise. He indicated that the Wuhan Iron and Steel Corporation has the potential to gather up its strength to render even greater contributions during the "Seventh 5-year Plan" period.

Yesterday, 12 November, Xu Yuanjiu [1776 0626 0036], deputy chief accountant of the Wuhan Iron and Steel Corporation, announced that the corporation has put forth the goal early this year of surpassing 1 billion in profits taxes. As of 9 November, it has victoriously fulfilled its goal 52 days ahead of schedule, with an increase of more than 100 million yuan compared to that of last year.

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FINANCE AND BANKING

YANSHAN PETROCHEMICAL 1985 PROFIT TAX 1.3 BILLION YUAN

Beijing JINGJI RIBAO in Chinese 2 Dec 85 p 1

[Report by reporters Deng Wei [6772 4850] and Zheng Bo [6774 3134]: "Yanshan Petrochemical Turns Over to the State 1.3 Billion Yuan This Year"]

[Text] The Beijing Yanshan Petrochemical Corporation, in which there are over 50,000 staff and workers, will fulfill 2.6 billion yuan of gross industrial output value and will deliver 1.3 billion yuan of profit taxes to the state this year. During the "Sixth 5-Year Plan" period, the corporation has delivered a total of 6.16 billion yuan in profits and taxes to the state, ranking third in the country after the Daqing Oil Field and the Anshan Iron and Steel Corporation. In several weeks we will enter into the "Seventh 5-Year Plan" period. The corporation's goal is to deliver 10 billion yuan in profit taxes in the 5 years from 1986 to 1990.

The corporation is a modernized enterprise which ranges from oil refining to petrochemical production. The corporation has persevered in putting reform in the position of first importance, promoted the methods of managing modern enterprises, digested and absorbed imported technology and equipment, tapped potentials and accelerated the transformation of the enterprise from a purely productive mode to a business-development mode.

The leadership of the corporation indicated that, in order to revitalize a large-scale enterprise, we must first of all do well inside the enterprise. The corporation has drawn up 10 strategic targets of management and a program for development for 1986-1990. This year, we have begun to carry out the director responsibility system at all levels, from the manager of the corporation to the factory director and the section chief, who during their terms of office will implement the objectives at their respective levels. We have implemented the diverse economic responsibility systems with contracting as the center. Each contract is closely linked with economic results. This has aroused the enthusiasm of all cadres and workers.

On what basis could the Yanshan Petrochemical Corporation propose to deliver 10 billion yuan in profits and taxes for the 5 years during the "Seventh 5-Year Plan" period? With the exception of the oil refining and processing equipment, most of the production facilities of the major products of the corporation, such as polyethylene and polypropylene, are imported. Currently, they have basically reached the technical index of similar facilities abroad. In order to make production breakthroughs, the keys are to emphasize technological transformation and tap production potentials. In 1984 the corporation invested 51.95 million yuan in technological transformation. More than 100 projects have been completed, yielding 27 million yuan in profits in the same year. This year, over 90 million yuan were invested, yielding a profit of more than 30 million yuan.

In order to realize the corporation's business objective of the "Seventh 5-Year Plan," another key is to make great effort to improve the level of business management, improve product quality and lower consumption. In light of the current level, the corporation's daily output value is over 7 million yuan. This figure has surpassed the sum total of the daily output value of the system under the Beijing Second Light Industry Bureau. The corporation is considering a more efficient management system to better adapt to reform, relaxation and revitalization. Currently, the various plants have established business decision-making consulting organs, strengthened the information network system, strictly implemented management by objective with quality as the key, as well as vigorously set up the tertiary industries in an effort attain a high-efficiency operation for the entire enterprise.

Whether a large-scale enterprise succeeds or not depends first of all on the enterprise's own effort. Whether or not society can join it in the creation of better conditions is also extremely important. Currently, the Yanshan Petrochemical Corporation is worried greatly about the problems which the large-scale enterprises are generally facing: Too little autonomy, too many supervisors, too many apportionments and too many collective investments. Some departments have asked for help by concocting various pretexts. During our interview, we encountered a film studio which was asking for an astonishingly large amount of "support funds." This year the corporation was compelled to put up various "support funds," the amount of which left people breathless. During the "Seventh 5-Year Plan" period, we must handle these problems properly, or we will prevent the further development of the production enthusiasm of the large-scale enterprises.

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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

EFFECT OF PRICE REFORM ON COMMODITY PRICE INCREASES

Kunming YUNNAN RIBAO in Chinese 10 Jan 86 p 3

[Article by He Han [0149 3352]: "Will the Reform of the Price System Lead to a Widespread Spiraling Increase in Commodity Prices?"]

[Text] For a period of time, some consumers have been concerned as to whether or not the state's readjustment of some commodity prices and the reform of the price system would cause a widespread spiraling increase in commodity prices. It is our belief that these concerns are understandable, but should be put to rest.

First, we should carefully distinguish between today's price reform and the widespread upward spiral of commodity prices in old China. During the rule of the KMT, in particular the years right before the liberation, widespread upward spirals in commodity prices often occurred. The ruling authorities at the time were hopelessly corrupt politically, production was severely disrupted and there was an extreme shortage of goods and materials. The regime relied primarily on foreign credit and the indiscriminate issue of paper currency to maintain itself, and commodity prices rose wildly. In June of 1937, 1.41 billion yuan of legal paper tender was issued. By May, 1949 that sum had increased to (203 quintrillion, 837 quadrillion, 400 trillion) yuan (converted into KMT paper currency from gold dollars), which was 144.5 billionfold more than on the eve of the war of resistance against Japan. If, for instance, you had deposited 2 billion KMT yuan in a bank before the war--actually this would have been impossible, as this sum is too large and approaches the figure for the total amount of currency issued at the time--after several conversions and depreciations in the rate of exchange, that sum would have been worth 1 yuan in gold dollars by the "currency reform" of 19 August 1948, with which you could not have even purchased 5 liters of rice. By May 1949, that 1 yuan could not have even bought one single grain of rice. Some comrades suffered from the inflation of the old society and still retain vivid memories of it. In addition, due to the gradual development since the liberation of the idea that "stabilizing commodity prices means freezing them," they feel rather uncomfortable with the slightest readjustment of commodity prices and are concerned about whether or not a new spiral of price increases will begin. It should be noted that the present reform of the price system is being conducted in very good times, economically and politically, and that commodity prices are not being readjusted in response to bad times. The purpose of the price reform is to put commodity prices in order, promote the further continued development of the national economy and to further improve the living standards of the masses of the people. Both in regard to the premises and purposes of the reform, the situation is entirely different from the KMT period before the liberation. Therefore, a widespread spiraling increase in commodity prices will not occur today.

Second, our reform of the price system does not entail an overall increase of all commodity prices, but is a structured readjustment of an irrational price system. In recent years, the state has begun a structured reform of the lack of price differentials for commodities of the same category but of varying quality, irrational price ratios among different commodities, and the situation in which sales prices of primary agricultural byproducts were lower than state purchasing prices. Throughout the reform, prices have both risen and fallen. For example, from 1978 to 1984, purchasing prices for agricultural products rose nearly 50 percent; the overall price ratio between industrial and agricultural prices shrank 30 percent; the price of coal rose 38 percent, products of an raw materials for the metallurgy, chemicals, and construction materials industries rose approximately 50 percent. Prices fell and rose to an equal extent for consumer goods, such as light industry products, textiles, and medicine; prices of electronic goods fell nearly 20 percent in the last 6 years, however. Due to excessive demand, prices for products such as televisions, refrigerators and washing machines cannot fall. In the next several years, the numbers of products will increase and their prices will gradually decrease. Although since the loosening of restrictions, the prices of products such as pork, vegetables, and fruit have risen, sometimes excessively, product variety and quality have improved, purchasing is more convenient and the consumer has gained as well as lost. Now that production is developing, prices will stabilize and even fall a little. From this approach, it is clear that the reform of the price system does not mean wholesale increases, but rather both decreases and increases. The belief that there will be endless price increases leading to a widespread upward spiral is baseless.

Third, the state's reform of the price system is a guided, planned, supervised one. The central authorities have put forth the principles of prudence and stability, and have taken a series of correct policies, in regard to the reform, have proposed the principle of conducting reform based on the development of production and the premise of ensuring the gradual increase of the people's real income, and devised detailed, really feasible programs and measures. In regard to the disposition of reform methods, the guiding concept is "integrate lossening of restrictions with readjustment; look before taking each small step." Beginning with the inception of the plan last year, 5 years' time will be needed to basically reorder China's price system. Larger adjustments in commodity prices are to be determined by the state. Anything that exceeds a certain level will not be allowed. The state will take firm measures to control the overall level of market retail prices. While resolving the problem of the underpricing of agricultural byproducts and readjusting the prices of consumer goods, we must take solid steps to ensure that the living standards of the vast ranks of urban and rural residents will not fall because of price adjustment. Yunnan took four major steps in implementing the price reform last year based on these principles and plans. These included the loosening of restrictions on the prices of pigs, adjusting the price of rural grain, raising the cost of short distance rail shipping, and adjusting price differentials and ratios for coal. Good results have already been achieved in these four areas. Practice has shown that these principles, policies and measures are major guarantees in ensuring the smooth implementation of the price system reform and in maintaining basic stability for commodity prices.

Of course, some excessively large price hikes have occurred for some commodities since last year. With the exception of normal, rational price increases and indiscriminate price raising by some industrial and commercial enterprises and self-employed peddlers who took unfair advantage of the reform, most of the increases were due to the overly rapid growth in extra-budgetary expenditure for fixed assets, the excessively swift development of industry, the large scope of capital construction and the sudden growth of credit and consumer funds which led to shortages and overly high prices of some commodities on the market, especially nonstaple foods. However this is a temporary problem that has occurred in the course of the reform of the price system. It does not mean that there has been or will occur a widespread spiraling increase in commodity prices. We are aware that the cause of such a phenomenon is an extreme shortage of goods and materials and the failure of supply to meet demand, which leads to huge increases in commodity prices, and the great increase by the government of the issuance of currency, which causes a vicious cycle of inflation, and so on, whereas today we have a plethora of goods and materials, and the state has not issued a huge amount of currency. As for the issuing of some extra currency in the fourth quarter of 1984, the central authorities took firm measures as soon as the problem was discovered to contol the scope of investment in fixed assets and to control the excessively rapid growth of industrial production, the amount of currency issued, and consumer funds, so that they would not exceed the production rate of consumer goods. This is the most fundamental method that could be taken in controlling commodity prices. At the same time, the state also took strong measures to greatly increase production of salable, popular consumer products, to gain flexible mastery over export-import policy, to readjust and balance domestic supply, withdraw currency from the market, improve management, supervision and inspection of commodity prices, and so on. These measures have already achieved remarkable results, which is effective proof that our party and state gained valuable experience during the early period of construction and the time of difficulties in the 1960's in stabilizing commodity prices, and that they can, in the course of the present reform of the price system, make a complete and timely resolution of problems that have occurred in the price reform to ensure the smooth conducting of this reform so vital in relation to the entire nation.

12221/9869
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ECONOMIC MANAGEMENT

IMPROVING MACROECONOMIC CONTROL TO AID ECONOMY URGED

Kunming YUNNAN RIBAO in Chinese 10 Jan 86 p 3

[Article by Zhang Huaiyu [1728 2037 3254] and Xu Yafei [1776 0068 7236]: "Improve Macroeconomic Control To Ensure the Continued Development of the National Economy"]

[Text] The law of social reproduction requires the even, coordinated functioning of the national economy. The law of value and of planning require the proportionate distribution of social labor and the planned organization of social and economic life. All this necessitates the maintenance of balance in the macroeconomy and appropriate controls over microeconomic activities. The present overall price reform calls for consciously maintaining macroeconomic balance and the use of the law of value and other economic levers in the microeconomy, taking administrative and legal measures when necessary to effectively control and interfere, to enable the entire economy to automatically adjust itself to a lively but not disordered fashion and to advance in an organized manner.

Macroeconomic balance requires, first, a basic balance between social supply and general demand, that is, a balance between the overall social product and social consumption. This is the most fundamental prerequisite in the smooth functioning of social and economic life. When supply is greater than demand, waste of public wealth occurs; when demand is greater than supply, there are shortages of goods and materials, commodity prices rise and needs involved in production and in daily life cannot be met. This should be patently clear. According to economic principle, overall social supply refers to society's net production output value in a given year, plus the cash surplus from the year before, minus the amount of value on reserve for the following year. It is the overall volume provided for social consumption (this includes both consumption involved in production and in livelihood). In China we usually compute this according to the national economy. Overall demand refers to the demand based upon the ability to pay and refers to the sum of all expenditures. In China we generally calculate this in terms of the sum of accumulation and consumption. The balance between overall social demand and supply refers to the balance of the magnitude of value; and represents the balance of the magnitude of value between the demands based upon the ability to pay and the overall production of that society can supply. Recently, there has been a debate in Chinese economic circles regarding the problem of macroeconomic control, or more specifically, how to dispose of and deal with the interrelated problems of overall social supply and demand, macroeconomic controls and economic reform. In the CPC Central Committee's proposals for the Seventh 5-year Plan and in Premier Zhao Ziyang's explanation of it, a clear answer has been given: The reform requires both a free environment and a definite speed. However the speed cannot be too rapid, and the term "free environment" is a relative one. We cannot wait until all conditions have been met, a buyer's market has been formed and the environment has been put into perfect order to begin the reform. We can, however, achieve a basic balance between overall demand and supply via reform which would create a buyer's market in which supply is slightly greater than demand.

In view of China's current national conditions, the focal point of the readjustment of the balance of overall social supply and demand lies in the adjustment and control of demand. Overall social demand is derived from three sources--one is enterprise expenditure; the second is state financial outlay, and the third is credit expenditure. Under usual conditions, enterprise and state financial expenditures remain within the limits of income. Without credit support from the banks, overspending is unlikely. Enterprise overspending relies on bank credit, without which the enterprise has no money to spend. Governmental overspending is caused by deficit spending, credit, and the overissuance of currency, three methods which stimulate inflated demand and cause demand to be greater than supply. Credit will inflate by itself, when credit exceeds savings, and when there exists said credit in the absence of savings. All this can form a total volume of currency that can pay for the overall demands, to exceed the total value that can be supplied by social commodities and an overdistribution of the national income. Therefore, controlling the scope of credit and the issuance of currency are key measures in the macroeconomic control over the balance of overall supply and demand.

Second, the disposition of accumulation and consumption must be appropriate. This involves two problems: One is the necessity for an adequate ratio between accumulation and consumption. Accumulation cannot squeeze out consumption, and consumption cannot be undertaken without regard for national construction. Expanded socialist reproduction must be ensured. Excessively high or low rates of accumulation or consumption are not appropriate, a fact concerning which we have learned a painful lesson. This is an important problem that relates to macroeconomic balance. An overly large scope of investment in fixed assets creates shortages of goods and materials and the inflation of credit. Work on key construction projects cannot be guaranteed, basic industries, such as energy, communications, transportation, posts and raw materials, get short-changed and the entire national economy is characterized by shortages, all of which are detrimental to the sustained, steady, coordinated development of the reform and the national economy. To deal with this, it is necessary, in addition to utilizing the method of compensated investment, to also take some direct and indirect measures to control the overall scope of fixed-asset investment, especially extra-budgetary expenditures. These control methods must be solid and effective ones.

The second problem involves preventing accumulation and consumption from exceeding the national income and overall supply. To control the overall scope of accumulation requires control over the overall scope of consumption. China is a socialist nation, and the constant elevation of the people's living standards is a goal of socialist production and a fundamental principle in our economic work. However, China is also a developing nation, and the elevation of living standards cannot become divorced from the development of production, actual economic conditions, and China's national characteristics. Blindly seeking after high consumption, the unrestricted increase of wages, indiscriminate issuance of bonuses and increases in social welfare measures are wrong and will inevitably lead to the inflation of consumption, which will effect the balance between overall social demand and supply. The state should improve direct and indirect management over wage funds so that the growth rate of wages remains lower than the rate of increase in labor productivity.

The foundation of macroeconomic balance involves balanced finances, credit, goods and materials, and foreign exchange. Once these four categories are balanced, overall supply and demand can be controlled, accumulation and consumption can be adequately disposed of, and all departments of the national economy can be developed in a coordinated fashion. From the macroeconomic point of view, this requires a rational ratio and balanced coordination for all departments, industries, and construction projects, a reasonable disposition of social labor and automatic adjustment and control on the part of all economic mechanisms, in particular the indirect control of the macroeconomy over the microeconomy.

Improving indirect macroeconomic adjustment over microeconomic activities is critical. Recently, due to the reduction of the scope of the directive-type economic planning and direct administrative interference and the poor start of the indirect utilization of the regulatory role of economic mechanisms, the newly built system was incomplete and control was lost over the scope of fixed-asset investment, consumer funds, credit, and the issuance of currency, which caused fairly large increases in commodity prices. This has provided us a negative object lesson in the importance of macroeconomic control and regulation over the microeconomy. In its proposal, the Central Committee stressed that great efforts must be made to improve the ability of the state to indirectly control all economic activities, and to energetically strengthen and perfect systems and methods of indirect control. It also pointed out that the reduction of the scope, level and plans of direct control over microeconomic activities should be in accord with the state's ability to improve indirect controls. This is of great significance, as the Central Committee also regards the adherence to maintaining a macroeconomic balance between overall social demand and supply as a fundamental, vital guiding principle in the economic work entailed in the Seventh 5-year Plan.

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ECONOMIC MANAGEMENT

ON INCREASING MANAGEMENT OF ECONOMIC CONTRACTS

Beijing RENMIN RIBAO in Chinese 10 Mar 86 p 4

[Article by Fang Chu [2455 0443]: "Strengthen Management of Economic Contracts"]

[Text] In recent years, among legal entities, between legal entities and individual management operations, and between citizens, in order to enact a definite economic purpose, many people have drawn up economic contracts. It is indeed a happy phenomenon that people are resorting to legal means in managing the economy. Yet based on the numerous cases of disputes over economic contracts, control over economic contracts must be enhanced so as to protect the legal rights of parties to a contract and to maintain order in the socialist economy.

An economic contract is a kind of economic device to effectuate the exchange of goods and is a kind of legal binding that clarifies the rights to be enjoyed and the duties to be borne by the concerned parties. Economic contract law stipulates that when establishing a contract, the principle of legality must be respected and that the contract cannot run counter to the nation's laws and policies. After a contract is established, parties to the contract are under legal restraints and must fully carry it out. He who defies it must bear the consequences of that violation. Judging from current cases "within the scope of legal institutions," there are quite a few units that have a superficial notion of the legal system and fail to recognize the legal effectiveness of a contract. This is mainly manifested in the following ways: 1. The establishment of illegal contracts. Some units basically fail to fully honor the contract and even sign contracts with others; others use contracts to carry out fraudulent activities. 2. Contracts are not carried out after their creation and some are even torn up. 3. Rulings of the People's Court in cases of economic disputes are difficult to execute. This illustrates the necessity of bolstering management of economic contracts. At the same time, it also demands that agencies whose function is to administer the government, manage industry and commerce, and issue bank credit must strictly follow through with their professional responsibilities. Business licensing must also be strictly controlled. Contracts must be diligently examined if they are going to be established. Illegal activities such as bogus contracts, the use of contracts for fraudulent sales or purchases, and the transfer of contracts in order to reap an undeserved gain must be resolutely dealt with according to the law. Judgements, rulings and mediated settlements reached by the People's Court in cases of economic disputes must be carried out.

In dealing with economic contract disputes, attention must be focused on discovering and attacking illegal economic activities. Regardless of what level of an organization or what level a cadre is implicated, cases must be conscientiously investigated. The criminally negligent must be investigated and held accountable, and economic penalties cannot be substituted for criminal penalties. Neither party nor government discipline can be substituted for punishment according to the law. Proven economic crimes cannot be treated as mere evil winds and crimes involving dereliction of duty cannot be treated as mere bureaucratism. By no means can economic criminals be let off the hook.

13030/12781
CSO: 4006/842

QINGHAI LEADER CALLS FOR PROMOTING LATERAL TIES

HK010649 Xining Qinghai Provincial Service in Mandarin 2230 GMT 31 May 86

[Excerpts] The provincial government held a mobilization meeting in Xining on 31 May, calling on all areas, departments, and enterprises in the province to enhance understanding and speed up the establishment of lateral economic ties. Leaders of the provincial CPC Committee and government including Song Ruixiang, Liu Feng, Bian Yaowu, and Wu Chengzhi attended the meeting. (Yang Shouru), director of the Hangzhou City Economic Research Institute, was also invited to attend.

Vice Governor Wu Chengzhi delivered a mobilization report. He reviewed the province's achievements in establishing lateral economic ties in recent years and pointed out [words indistinct]. He said: Compared with fraternal provinces and regions, Qinghai lags far behind in the establishment of lateral economic ties. We are only in the initial stage. There are many imposed ties between enterprises but not many voluntary ties. Some enterprises still have the idea that they will get the worst of it if they establish lateral ties with others.

He expressed the hope that all areas, departments, and enterprises would unify their thinking and gain further understanding of the importance of lateral economic ties. They should eliminate the fear that, after establishing ties, large enterprises will have extra burdens to carry while small ones will be swallowed up. They should eliminate the mentality of only being concerned with their own development and being unwilling to help others. The question of the economic results relationships of all parties in lateral economic ties must be properly handled.

Wu Chengzhi said that Qinghai's lateral economic ties should be focused on exploiting its strong-point resources and on the in-depth processing of raw materials. It is also necessary to improve product quality and develop new products. The focal points in lateral ties this year are the processing of clothing and the direct supply of materials for woolen textiles.

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CSO: 4006/1096

ECONOMIC MANAGEMENT

GANSU MEETING DISCUSSES ECONOMIC WORK TASKS

HK100333 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 9 Jun 86

[Excerpts] The provincial government held a telephone conference on the evening of 9 June to make specific arrangements for the province's economic work in the next 4 months. Governor Jia Zhijie presided.

Vice Governor Zhang Wule made a speech. He said: The province's industrial production this year is facing a serious situation of squeeze at both ends and tension in the middle. One end is that, although industrial output in the previous 5 months rose somewhat compared with the same period last year, it did not keep up with the rate of progress required by the plan, thus putting more pressure on future work. The other end is that production in the fourth quarter will be affected by power shortage. This means that the tasks will all be concentrated in the middle 4 months of the year. This requires that production plans be arranged ahead of schedule and that work make rapid progress.

To ensure the fulfillment of production plans, the provincial authorities have acted in a coordinated way and tapped potentials to ensure that there will be no power restrictions in the next 4 months and that communications and transport can be assured. At the same time, we have collected 5,000 tons of steel plus a monthly 70 to 80 million yuan in floating capital to meet urgent requirements in production.

Zhang Wule said: The next 4 months are the key period for fulfilling the year's plans. We must have a sense of urgency and persevere in a scientific, truth-seeking approach in our work.

He pointed out: The enterprises must unswervingly implement the plant manager responsibility system and delegate the managers' powers to them. Enterprises that have not yet done this must do so as soon as possible, and those where the managers' powers have been taken away must restore them. In exercising their powers, the managers must listen as much as possible to the opinions of various sectors, to reduce disputes and mistakes to the minimum. Attention must be paid to solving any policy problems that arise in reforms.

Vice Governor Lu Ming put forward views on arrangements for agricultural work. He said: We must continue to fight drought and other natural disasters, and also get a good grasp of autumn sowing and of agricultural construction, to create good conditions for next year's production.

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ECONOMIC MANAGEMENT

XUE MUQIAO DISCUSSES INDIVIDUAL ECONOMY

Beijing JINGJIXUE ZHOUBAO in Chinese 20 Jan 86 p 1

[Article by Tan Rongyao [6223 2837 1031]: "Xue Muqiao [5641 2550 2890] on Individual Economy in Zhejiang"]

[Text] Noted economist Xue Muqiao, along with an involved comrade from Zhejiang Province, recently studied development of Wenzhou's rural commodity economy. He has several opinions concerning the question of the individual economy.

Xue Muqiao said that currently China's individual economy is growing faster than the collective economy, and that the collective economy is growing faster than the state economy. The explanation for this is two-sided: First is that production and business are thriving more in the individual than in collective economy, and more in the collective economy than in the state economy. Second, the burdens are inequitable; individual and collective responsibilities are universally lighter than those for the state. Also, most of the profits retained by individuals and collectives they themselves can utilize to expand production. The rise of an individual economy really is not all that frightening. The problem is to get the individual, the collective, and the state competing along the same lines. State enterprises cannot be managed too oppressively nor too stringently. In bringing forth modernization, it is important for there to be a suitable dependence on state enterprises, yet currently state-run enterprises are not competitive with the individual or the collective economy. The nation must strengthen management of the individual economy. Special regulations regarding tax collection must be considered in dealing with Wenzhou's individual rural economy. At the same time, the administrative government's commercial and industrial management departments must be strengthened, as should the tax department. To be sure, the thinking and working style of these market management structures must be upright and only then can taxes be collected. Otherwise, if these structures are somehow connected with individual enterprises, the market will be difficult to manage. Money received illegally by these structures must be confiscated and brought to a halt. Yet by stressing management of the individual economy, and emphasizing that the individual, collective and state economies must compete along the same lines, will this not result in the individual and collective economies being squeezed out? The answer is that it will not. In the future, state enterprises will mainly be involved in large-volume production, making products that require high technology: It will not be involved in anything and everything. The state enterprises will leave small commodities and lower volume production for collectives and individuals to handle. In this way, the state, the collective, and the individual can grow in tandem, and at the same time this would preserve the leading role of the state economy.

Regarding the question of hiring among rural individual enterprises, Xue Muqiao said that when he was investigating the Pujiang region of Fujian, he discovered a family-run factory that employed more than 200 people. In 1 year it made between 300,000 and 500,000 yuan in profit; it was also able to export its products and bring in foreign exchange. This kind of factory cannot be prohibited. Because first off, if it were shut down, many people would lose their jobs. Second, society requires exports that create foreign exchange. However, if these types of factories can attract and inspire workers to become stock holders and collect dividends, paving the way toward a joint stock economy, then by all means they cannot be suppressed. If workers invest in stock, then 300 or 400 workers is acceptable. But in general these factories only employ about 100 workers, which explains why these family-operated plants produce items which meet market demand. This method is applicable in Wenzhou. All in all, regarding the hiring question, China does not require a single practice, nor does she require a single policy.

Private banks are illegal under Chinese law. But if rural credit unions are not restructured or invigorated, then private banks cannot be banned; if the main route is not wide enough, then the backroads must remain viable. China's exchange rate was very weak in the past, with the HK dollar officially pegged at 0.3 RMB. But on the black market it rose to 0.8 RMB and it could not be halted. Later the posted rate was adjusted and the black market rate fell off. At present, prices, interest rates, tax rates and exchange rates are all very weak. Wenzhou must find a set of special policies adjusted to the special characteristics of Wenzhou's economic development. For example, credit unions could establish a floating interest rate. But if credit unions are not given a shot in the arm, private banks cannot be outlawed, for if they were, production and the circulation of goods would be hindered.

Xue Muqiao says that China must push for the development of the state economy, but it must not negate the function of the individual economy. Development of an individual economy is an essential way to expand the rural commodity economy. It is a product of the initial phase of industrialization, so we must take it seriously and promote its healthy development.

13030/12781
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ECONOMIC MANAGEMENT

SHANDONG'S LIANG BUTING ATTENDS INDUSTRIAL PRODUCTION MEETING

SK050953 Jinan DAZHONG RIBAO in Chinese 21 May 86 p 1

[Text] The provincial industrial and communications production conference was held in Taian City from 16 to 18 May. The conference focused on studying the issues of how to solve the problem whereby industrial production shows decline in the third quarter of the year, how to reverse the situation in which some products are poor in quality, how to reduce consumption, and how to raise the economic results. The conference called for efforts to grasp reform; to further arouse the enthusiasm of the enterprises, staff members and workers, and the localities; and to strive to maintain an appropriate growth rate in this year's industrial production.

Attending the conference were more than 120 people, including chairmen of the city and prefectural economic commissions; responsible comrades of the provincial-level industrial, communications, financial and trade departments and bureaus; and responsible comrades of some enterprises.

Liang Buting, secretary of the provincial CPC Committee; Gao Changli, Standing Committee member and secretary general of the provincial CPC Committee; and Ma Shizhong, vice governor of the provincial government, attended the conference. Comrades Liang Buting and Ma Shizhong respectively delivered speeches at the conference.

After analyzing the situation of the industrial production in the first 4 months of this year, the conference held that the province's industrial production situation in this period was generally good. The cities where industries are concentrated registered a substantial increase in industrial production. The production of daily consumer goods, raw materials, and electricity increased with comparatively fast speed. Town- and township-run industrial enterprises and village-run industrial enterprises maintained a higher production growth rate. The increases in the income of the industrial enterprises and the profits and taxes handed over to the higher levels by these enterprises were higher than the increase in industrial production. Local industrial enterprises registered notable increase in creating foreign exchange through export. The prominent problems in the current industrial production are as follows: The quality of products is not stable enough. The consumption of raw materials is relatively high, and the production cost is rising. The situation in safety production is not good.

The conference pointed out: In order to maintain an appropriate production growth rate on the premise of raising the economic results, the industrial and communications front should grasp the following few tasks at present: 1) Seek unity of thinking, have firm confidence, and conscientiously solve the problem whereby industrial production shows decline in the third quarter of the year. After viewing the historical situation, we have come to know that the industrial production in the third quarter of the year was less than that in the second quarter. So, we must take effective measures to change this situation this year. In accordance with the demand of making the production in the third quarter not less than that in the second quarter, we should give priority to supplying raw materials, energy resources, and funds and rendering transportation service to the enterprises producing readily marketable products and to those with capacity to increase their production, and try every possible means to increase the industrial production. The problems that can bring greater impact on the production should be solved conscientiously. We should make good arrangements for examining and repairing the equipment in an effort to shorten the time for examination and repair. 2) Rapidly solve the problem whereby the quality of some products becomes poorer and poorer. We should immediately launch a provincial-wide drive for examining the quality of products. Defined responsibility for ensuring product quality should be involved in the economic responsibility system. No bonuses shall be granted to staff members and workers of the enterprises who fail to attain the quality targets. 3) Firmly grasp the work of reducing consumption and vigorously raise the economic results. We should resolutely carry out the policies on saving and reducing consumption. We should adopt measures for strengthening management and conducting technological transformation to reduce the consumption of goods and materials.

The conference stressed: We should make achievements in reform in order to facilitate industrial production. At the time when the old system is being replaced by a new one, we should transfer the power to handle certain problems to the cities, prefectures and enterprises in order to bring into full play the enthusiasm of the workers, enterprises, and localities. We should firmly implement the economic contract responsibility system and safeguard the dignity of the system. We should carry out on a trial basis the system of factory heads taking the responsibility for the operation of the factories, and pay attention to drawing a clear distinction between the regular management activities of the enterprises and the unhealthy practices.

/6091
CSO: 4006/1096

BRIEFS

COOPERATIVE ORGANIZATIONS PRODUCTIVITY--Beijing, May 31 (XINHUA)--China has set up 20 trans-regional economic cooperative organizations, an official of the State Planning Commission has stated. These organizations make full use of local natural resources, promote productivity and encourage enterprise cooperation. There are three types of trans-regional cooperation, the official said. One is made of administrative regions such as the Shanghai and northeast China economic zones and cooperative zones in southwest, south, northwest, north China; one covers neighboring areas, like the Huaihai economic zone which consists of 15 prefectures and cities in Jiangsu, Anhui, Henan and Shandong provinces; and the third is among cities as the city economic combine made up of Shanghai, Nanjing, Wuhan and Chongqing along the Yangtze River valley. The northeast China economic zone, the official said, consists of Liaoning, Jilin and Heilongjiang provinces and east Inner Mongolia autonomous region. More than 4,000 agreements on transportation, energy and raw material development have been concluded over the past 2 years. These items will help generate additional output value of more than three billion yuan a year. The zone has turned out coal, cement, rolled steel, timber and glass and opened 32 trunk highways to link the provinces and region. [Text] [Beijing XINHUA in English 0542 GMT 31 May 86 OW] /8918

GANSU: NEW CONCEPTS, REFORMS IN COMMERCE--Li Ziqi said in a speech at a provincial conference of commerce bureau chiefs on 6 June that commerce workers should establish new concepts and promote the development of reforms. After reviewing the achievements in reform, Li Ziqi pointed out that the comrades at all levels and of all departments must put reform in the first place, strive to create a political situation of harmony and concord, create an excellent environment for the reformers, and protect and perfect their reform work. On commerce reforms, Li Ziqi said that it is necessary to embrace the following concepts: 1) Firmly embrace the concept of providing guidance for production, services, and consumption, and oppose the idea of business purely for the sake of business. 2) Firmly embrace the concept of putting service quality first. 3) Embrace the concept of competition. This year we must start with the key cities in reducing the number of links in the wholesale chain, and develop new links in conjunction with competition. 4) Firmly embrace the concept of economic results. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 6 Jun 86 HK] /6091

DEFENSE INDUSTRIES AID CIVILIAN ENTERPRISES--Shaanxi's defense industries, long in an isolated role, have in recent years turned over a new leaf and have been actively aiding county and township and town enterprises, thus contributing to the invigoration of the local economy. Currently, among the 128 enterprises and facilities, 75 defense industry enterprises and county, and township and town enterprises from 34 counties have set up cooperative efforts. According to a recent survey of 23 enterprises, within the entire system more than 500 technicians of various kinds have been trained in local enterprises below the county level, more than 300 pieces of various equipment have been transferred, and more than 300 tons of various raw materials in short supply have been supplied. Consequently, the technological and managerial level of these enterprises has improved significantly. [Text] [Xian SHAANXI RIBAO in Chinese 15 Feb 86 p 1] 13030/12781

CSO: 4006/842

FINANCE AND BANKING

FINANCIER DISCUSSES FOREIGN EXCHANGE CERTIFICATE ABOLITION

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 14, 14 Apr 86 p 23

[Interview by reporter: "Wu Nianlu [0702 1819 7627], Acting Director, International Finance Institute of the Bank of China, Comments on the Abolition of Foreign Exchange Certificates and Other Financial Matters"; date and place not given]

[Text] Wu Nianlu, acting director of the International Finance Institute of the Bank of China, who attended the "Chinese Foreign Trade and Investment Conference" recently held in Hong Kong, commented on and supplied answers to questions concerning China's currency and financial problems, some of which are of considerable interest to overseas readers. With a view to ensuring the accuracy of what he had said at the conference, the reporter called on Mr Wu with the request that he supply answers to the questions that follow.

[Question] When do you think foreign exchange certificates will be abolished?

[Answer] Once preparatory work has been completed, the People's Bank and the concerned financial authorities will announce the exact date for the abolition of foreign exchange certificates. The question was asked by some reporters at the conference whether it will come only after 1990. My personal opinion is that it will not. As to how long the preparatory work will take, I do not have the answer since the International Finance Institute of the Bank of China is taking no part in the preparatory work.

[Question] Will the Bank of China continue to engage in foreign exchange adjustment operations? A foreign exchange adjustment center has already been set up in Shenzhen. Will such centers be established in other regions?

[Answer] With the approval of the State Administration of Exchange Control of the People's Bank, the Bank of China has been engaging in foreign exchange adjustment operations in recent years. The purpose of such operations is to invigorate foreign trade and foreign exchange funds and to make full use of such funds, so that the departments, enterprises and units with surplus foreign exchange reserves may make such surplus funds available to units which are short of foreign exchange and in urgent need of such funds. The adjusted price for such funds is 10 percent higher than the list price. In view of the excess of demand over supply, such operations were virtually brought to a halt last year. The resumption of such operations is currently under consideration. To offer an incentive to sellers, the adjusted price is likely to be set at more than 10 percent over the list price. The resumption of foreign exchange adjustment operations will serve to promote import and export trade and lateral economic relations. The establishment of a foreign exchange adjustment center in Shenzhen does not mean, however, that such centers will be set up throughout the nation. In fact, the Bank of China has given no consideration to the setting up of such centers. The policy and principle of foreign exchange adjustment are set by the State Administration of Exchange Control.

[Question] Would you comment on the situation relating to the raising of funds by the selling of bonds and tell us about future plans?

[Answer] From January 1982 to February 1986, China issued 15 bonds of various types in Japan, Western Europe and Hong Kong amounting to some $1,226,000,000. During the last 10 days of March 1986, the Bank of China issued change-over U.S. dollar bonds in Japan amounting to 20 million yen. In April or a little later, bonds may possibly be issued again in Japan. Specific figures and conditions are not yet known. In the future, we shall give further consideration to the issuance of various types of bonds in Japan, Western Europe, Hong Kong, Singapore and the United States. However, the issuance of bonds in foreign countries has to have the approval of the State Administration of Exchange Control of the People's Bank.

[Question] Please comment on the problem arising from the failure of the branches and subbranches of the Bank of China to make payment for letters of credit in fulfillment of their obligations.

[Answer] Last year, there were isolated instances where certain domestic branches and subbranches of the Bank of China delayed payment for nonwithdrawable letters of credit issued by the bank even when the documents tallied with the certificates. Although the number of such instances was extremely small, the prestige of the bank has suffered as a result. The Bank of China is a specialized bank engaged in foreign exchange operations and enjoys considerable international prestige. In the future, the Bank of China must fulfill its obligation to make payment for such letters of credit it has issued so long as the documents tally with the certificates regardless of whether or not the importers are able to make payment under whatever circumstances. In that regard, businessmen in Hong Kong can set their minds at rest.

[Question] What is your impression of your visit to Hong Kong?

[Answer] I am extremely gratified to have had the opportunity to participate in the "Chinese Foreign Trade and Investment Conference" sponsored by the Trade Development Bureau and the International Trade Information and Research Center and to have made the acquaintance of a number of friends in industrial and commercial circles as well as newspaper reporters in Hong Kong. With the further reform of China's economic structure and the progress made in the legislative system, the open door policy is bound to be further extended. The current economic situation in China is extremely favorable. I am convinced that the prospects of Hong Kong are extremely bright for developing economic and trade relations and for making investments in China.

Finally, permit me to express my heartfelt appreciation to the Hong Kong ECONOMIC REPORTER for having reported accurately my answers to questions put to me by members of the audience and reporters during the course of the conference.

9621/12859
CSO: 4006/961

BANK OFFICIAL URGES CHANGES IN INTEREST RATE SYSTEM

Hong Kong TA KUNG PAO in Chinese 20 Mar 86 p 3

[Article: "Bank Official Says the Reform of China's Banking System Calls for Changes in the Interest Rate"]

[Text] In his address to a discussion meeting on "The Reform of China's Banking System" sponsored by the Asian Research Center of the University of Hong Kong yesterday, Zhao Haikuan [6392 3189 1401], director of the Finance Research Center of the People's Bank of China, pointed out that whether it is possible to invigorate banking operations in China and to exercise macroeconomic control over China's finances hinges on whether the entrepreneurial type of management is adopted by the specialized banks in China.

Reporters were told that China would consider the establishment of a few additional specialized banks.

In his address entitled "A Discussion of the Reform of China's Banking System," Zhao stated that in order to make it possible for specialized banks to adopt the entrepreneurial type of management, it would be necessary to establish proper coordination between the profits accruing to specialized banks and to the nation as a whole.

He pointed out that, according to the present system, a higher interest rate is set by the state for long-term fixed savings deposits in order to encourage people to take an active interest in making savings deposits, to turn consumption funds into production funds, to increase the amount of construction funds, to defer the recall of that part of the currency as represented by purchasing power, and to adjust properly the circulation of currency in the market. He added that although the setting of a higher interest rate for such deposits is of benefit to the nation as a whole, it has also created accounting problems for specialized banks.

Zhao stated that since the interest rate for savings deposits over the fixed period of 3 years was higher than that for circulating fund loans, the specialized banks would suffer losses by taking in such deposits. As regards bank loans, it is stipulated by the state that a lower interest rate should be charged for enterprises whose operations are well managed, which incur low cost, and whose funds are circulated at a rapid rate, or whose products are of vital importance. A higher interest rate is charged for enterprises which fail to meet the above conditions.

He revealed that while the increase in the number of enterprises whose operations are well managed and the decrease in the number of those whose operations are poorly managed served to increase macroeconomic effectiveness, the income of banks derived from interest payments would be reduced. Conversely, the reduction in the number of enterprises whose operations are well managed and the increase in the number of those whose operations are poorly managed would increase the income of banks derived from the same sources.

Zhao made the observation that, under this interest rate system, the adoption of the entrepreneurial type of management by specialized banks would induce the banks to relax their efforts to absorb long-term fixed savings deposits, to increase the extension of loans bearing a high interest rate, and to reduce the amount of loans for economic construction projects of major significance to the state for which loans should be extended at a preferential rate, thus setting back the economic construction of the state.

To resolve the anomaly mentioned above, he said that it would be necessary, circumstances permitting, to make basic changes in the present interest rate system, that the Central Bank should concern itself with setting the basic interest rate and the range of fluctuations and that specialized banks should be permitted to set specific interest rates within that range. Before such changes are made in the interest rate system, the Central Bank should draw up measures for adjusting the interest rate so that the benefits accruing to specialized banks for absorbing and utilizing credit loan funds may also prove to be of benefit to the nation as a whole.

Zhao expressed the opinion that, aside from taking the above into consideration in reforming the system of domestic banks, economic measures should also be used to strengthen the macroscopic financial system, to further enlarge the scope of banking operations, to increase the types of banking services and to enlarge the authority of banks at the basic level.

9621/12859
CSO: 4006/961

FINANCE AND BANKING

CHINA'S FINANCIAL STATISTICS FOR 3D QUARTER 1985 REPORTED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 p 37

[Text] TABLE 1. STATE REVENUES AND EXPENDITURES
(Unit: 100 million RMB yuan)

Items	Balance at the end of third quarter
Itemized savings	3,577.89
Enterprise	1,355.82
State treasury	388.30
Capital construction	213.70
Government departments and institutions	308.93
Urban individuals	991.86
Rural individuals	319.28
Liabilities to international financial organizations	76.39
Currency in circulation	827.12
Bank free capital	612.60
Carry-over balance in the present year	69.08
Miscellaneous	94.90
TOTAL REVENUE	5,257.98
Itemized loans	4,710.08
Industrial production enterprises	956.82
Industrial supply enterprises and materials department	338.34
Commercial	2,298.87
Equipments (medium or short term)	371.97
Urban collectives and private business	314.20
Advance payments	6.93
State farms	57.38
Rural collectives	365.57
Gold transactions	12.04
Foreign currency transactions	119.99
Assets in international financial organizations	83.78
State treasury loan	275.78
Miscellaneous	56.31
TOTAL EXPENDITURES	5,257.98

Table 2. RURAL CREDIT COOPERATIVES: SAVINGS AND LOANS
(Unit: 100 million RMB yuan)

Items	Balance at the end of third quarter
Itemized savings	654.37
Farm collectives	59.61
Township and town enterprises	62.47
Individual commune members	518.01
Miscellaneous	14.28
Itemized loans	468.91
Farm collectives	46.71
Township and town enterprises	164.20
Individual commune members	258.00

Table 3. EXCHANGE RATE, GOLD AND FOREIGN EXCHANGE RESERVES AND FOREIGN DEBT

Items	July	August	September
Exchange rate :			
One special drawing rights unit -- RMB yuan (at the end of the period)	2.9853	3.0244	3.1444
One US dollar -- RMB yuan (at the end of the period)	2.8778	2.9211	2.9681
One US dollar -- RMB yuan (average)	2.8738	2.9023	2.9626
Gold reserves (in 10,000 ounces)	1,267	1,267	1,267
Total foreign exchange reserves (in $100 million)	119.57	114.60	125.92
Of this: Reserve in State treasury	44.52	38.44	33.77
Foreign exchange balance of the Bank of China	75.05	76.16	92.16
State foreign debt (in $100 million)	43.13	43.93	44.87

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CSO: 4006/541

BRIEFS

FINLAND DEVELOPMENT LOAN--Helsinki, June 5 (XINHUA)--Finland has decided to grant a 50 million Finnish markka (U.S. $9.6 million) long-term low-interest development loan to China, the Finnish Government announced today. The loan, the first of its kind, has a 25-year repayment term with a 7 year grace period and an annual interest rate of 0.75 percent. Eighty percent of the loan will be for development projects in which Finland will take part. These include modernizing a Guangzhou pulp and paper mill and the chemical fertilizer production line of a phosphate fertilizer plant in Hubei Province. At the same time, Finland also announced a 30 million Finnish markka (U.S. $5.8 million) development loan to Cameroon. [Text] [Beijing XINHUA in English 1157 GMT 6 Jun 86 OW] /8918

CSO: 4020/349

INDUSTRY

HU PING REPORTS ON FUJIAN INDUSTRIAL DEVELOPMENT

OW090831 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report at the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping said: Developing industry is the key to enhancing economic strength and quickening the pace of the four modernizations. During the Seventh 5-Year Plan period, we must strive to develop industrial production in the province at a quick tempo, while placing emphasis on economic efficiency and rational readjustment of the industrial structure. According to the draft plan, the total value of industrial output may reach 25 billion yuan by 1990, marking an average increase of 8.6 percent per year, with output value of light industry increasing by 9 percent and heavy industry by 8 percent per year. This target is not excessively high, and we may even exceed it.

Hu Ping pointed out: In increasing industrial production in Fujian, we achieve our goal mainly by developing technology, improving management, raising production quality, reducing raw material consumption, and increasing economic efficiency. During the Seventh 5-Year Plan period, we must help our existing enterprises increase production by rapidly importing advanced technology, strengthening quality control, and setting up a system that ensures high production quality and reduces energy and raw material consumption. We must further strengthen our basic management work, upgrade enterprise management, and continuously improve the quality of our enterprises.

Hu Ping said: It is necessary to vigorously readjust the industrial setup. 1) We must strengthen our efforts in producing raw materials, including metal and chemical materials as well as construction materials. We must also step up industrial construction; carry out technical innovations at the Sanming iron and steel mill, the Sanming chemical plant, the No 2 Fuzhou chemical plant, and other major factories; and accelerate construction of key projects such as the Shunchang cement works. 2) We must vigorously increase production of consumer goods that are readily marketable so as to meet the people's ever increasing demands. We must effectively restrict the production of goods which are in full or excessive supply, and guard against duplicate construction projects. 3) We must adopt effective measures to enlarge our capabilities in producing export merchandise and developing new products. While continuously developing canned goods, tea, shoes, resin, and other high-quality products, we must also turn out more toys, jewelry, paper, ceramics, construction materials, electric motors, tungsten, tungsten products, and other products for export, and make our export-oriented manufactured goods even more competitive.

Hu Ping said: Energy and communications are prerequisites in developing the national economy and the foundation in preparing for sustained future development. In the draft plan, we have given top priority to developing energy production, communications, and construction and striven to attain an even more rapid progress.

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CSO; 4006/1094

SICHUAN GOVERNMENT URGES INDUSTRIAL PRODUCTION

HK051104 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 4 Jun 86

[Excerpts] The provincial people's government has put forward specific demands on our province's industrial production in June. It is necessary firmly to grasp the golden season of industrial production, to take measures, to make sustained and redoubled efforts, and to do well in grasping industrial production in June.

In view of this, the provincial government has demanded that all places, departments, and enterprises seriously do well the following aspects of work:

1. It is necessary to clearly understand the situation, to heighten understanding, to determine the target of struggle, and to formulate measures for production. We must see the favorable conditons that supply of hydroelectricity has increased, floating capital [words indistinct] and producduction has increased. We must also see that the speed of increase in our province's industrial production is still slower than the national average and the tasks for June and the second half of this year are very arduous. We must by no means lower our guard. We just race against time, make up past deficiencies and strive to overfulfill our production quotas.

2. It is essential to do well in grasping the implementation of all policies. The provincial government and relevant departments at the provincial level have recently formulated and issued some policies and regulations on the promotion of reform and production. All places must seriously disseminate and implement them. Of these, the main ones are the enterprises' system of economic responsibility, the system of factory director assuming some responsibility, and the system of factory director assuming responsibility for the fulfillment of the quota during his tenure of office. We must really delegate to enterprises the power that should be given to them.

3. It is imperative to grasp the quality of products and to raise economic results. The quality of some industrial products of our province has dropped. Relevant departments have recently supervised the quality of some 400 products, nearly half of which do not meet the standard. The attention of relevant departments and enterprises must be drawn to this. Enterprises whose products do not meet the standard must carry out consolidation in a specified period. They must take effective measures to improve quality as soon as possible.

4. It is necessary to do well in grasping the production and supply of energy.

All production enterprises must be strict with use of electricity in a planned way in accordance with regulations.

5. It is essential to do well in the sale of products.

All enterprises must work hard to readjust product mix, improve the quality of products, and increase varities so as to make products marketable, to increase competitive ability, and to expand market. We must free the circulation channels and encourage supply and marketing personnel to vigorously promote the sale of products.

The provincial government has demanded that all places seriously pay attention to safety in production and implement the principle of safety first.

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CSO: 4006/1094

NEI MONGGOL HOLDS TELEPHONE CONFERENCE ON PRODUCTION STATUS

SK081340 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 7 Jun 86

[Excerpts] On the evening of 7 June, the regional people's government held a telephone conference to sum up the production situation of the industrial and communications fronts in the first 5 months of this year. Liu Zuohui, vice chairman of the regional people's government, presided over and made a speech at the conference.

He said: In the first 5 months of this year, our region's industrial and communications production continued to increase in a sustained, steady, and coordinated manner. The industrial enterprises set a record with regard to the amount of profits and taxes handed over to the higher levels. Thus, the region's revenue in the first 5 months of this year increased by a big margin. The region's total industrial output value increased by 3.1 percent over the corresponding period of last year. The industrial growth rate placed the region in a higher ranking in the country.

The conference made arrangements for the industrial and communications production in the latter half of this year. In the latter half of this year, the industrial and communications front should focus its work on enhancing the vitality of large and medium-sized enterprises; further carrying out the principle of consolidation, digestion, supplementation, and improvement; delegating power to chemical industrial enterprises and streamlining their administrative procedures; and developing lateral economic cooperation. Enterprises should be supported in solving the problem concerning the lack of floating funds, upgrade product quality, vigorously increase the production of readily marketable products to meet the demands of markets, and [words indistinct].

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CSO: 4006/1094

BRIEFS

CIVILIAN PRODUCTS FROM DEFENSE INDUSTRIES--According to JIEFANGJUN BAO, our country's scientific and technological units and industrial enterprises for national defense have gradually evolved from primarily producers of military hardware into producers of a wide range of military-civilian products. The output value of civilian products by the national defense industry has come close to half of the gross output value. [Text] [Beijing Domestic Service in Mandarin 2130 GMT 2 Jun 86 OW] /6091

SHAANXI BOOSTS INDUSTRIAL PERFORMANCE--Shaanxi set a new monthly record for industrial output in May. The provincial government has issued a notice demanding that all areas and departments concerned get a good grasp of production in the last 7 months of the year. Last month, the province's prefectures, cities, industrial departments and bureaus, and the departments concerned closely coordinated with and supported each other in creating conditions for the enterprises to increase output. The industrial growth rate increased and there was a marked improvement in economic results. Total output value was 6.3 percent up on April and 4.9 percent up on May 1985. Profit and tax handed over to the state rose by 11.1 percent compared with May 1985. The provincial government's notice demands that all prefectures, cities, and departments persevere in reform and take effective measures to ensure the fulfillment of the industrial production targets for the first half of the year. They should also get a good grasp of producing goods needed in the markets and completing key capital construction and technological transformation projects that are about to go into production, so as to increase the reserve strength for production in the second half of the year. The notice also demands strengthening of control and statistical work in production. The role of statistical work in production policymaking should be brought into full play. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 7 Jun 86 HK] /6091

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CSO: 4006/1094

GUANGDONG INCREASES INVESTMENT IN CONSTRUCTION

HK240602 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1253 GMT 22 May 86

[Report: "Guangdong To Increase Investment in Key Construction Projects by More Than 60 Percent This Year"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 22 May (ZHONGGUO XINWEN SHE)--Guangdong Province this year will conduct 37 key construction projects, and the total amount of investments in these projects increases by more than 60 percent over last year.

Guangdong's investment in key construction projects this year amounts to 2.22 billion yuan; last year's figure was some 1.3 billion yuan.

The responsible person of the Guangdong provincial commission for capital construction said: This year, Guangdong Province will speed up construction in the energy industry, transport, and telecommunications. There are 25 key construction projects in these fields, and they involve 1.86 billion yuan of investment, which accounts for 84 percent of the province's total investment.

Among Guangdong's key construction projects this year, 15 are new projects, and the rest are old projects left from last year. The major new projects include Yangpu Harbor on Hainan Island, the Haikou power plant, rebuilding the Huangpu power plant to a coal-fueled plant, building transformer equipment at the Shajia power station, expansion of the Shatou airport, and the high road in the eastern part of Guangzhou city.

Some of the old projects that will be continued this year will be completed and put into operation. The province will increase electricity generation capacity by 215,000 kilowatts and will build 178 kilometers of new railways and 121 kilometers of new transmission lines. In addition, the Xiji coal dock in Huangpu Harbor which has a handling capacity of 4 million tons a year, the 8,000-line program-controlled telephone exchange in Guangzhou, the 20,000-line program-controlled telephone exchange and the 720-line long-distance telephone exchange in Zhuhai city and the Dongshan bridge in Meixian will all be put into use this year.

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CSO: 4006/1094

CONSTRUCTION

GUANGXI TO PROMOTE WATERWAY CONSTRUCTION

HK091539 Nanning Guangxi Regional Service in Mandarin 1000 GMT 8 Jun 86

[Excerpts] It has been learned from the recent regional conference on waterway work that waterway construction in our region during the Sixth 5-Year Plan period developed relatively greatly and that the prospects for waterway construction during the Seventh 5-Year Plan period are brilliant.

During the Sixth 5-Year Plan period, our region laid stress on harnessing 27 dangerous shoals of the You Jiang, Yu Jiang, Xun Jiang, Xi Jiang, Liu Jiang, and Qian Jiang; completed the work of dredging some 114,000 cubic meters of sand and stones; blew up some 70,000 cubic meters of reefs; cleared some 9,700 cubic meters of residue; built some 31,900 cubic meters of embankments, and maintained some 20,000 cubic meters of banks. At the same time, our region also harnessed some dangerous shoals along its tributaries, including the Zuo Jiang, Rong Jiang, Yong Jiang, He Jiang, and Nanliu Jiang. The completion of this work has played an important part in promoting Guangxi's water transport.

During the Seventh 5-Year Plan period, our region will lay stress on the construction of the Xi Jiang shipping transport facilities, basically complete the Guiping's shipping [words indistinct], harness the waterway from Guixian County to Wuzhou, complete the initial period of construction of Guixian County's shipping [words indistinct], complete the work of harnessing the Li Jiang and dredging 840 km of inland waterways, harness the tributaries, including the He Jiang, Zuo Jiang, and You Jiang, and vigorously demolish some dams which obstruct the waterways. In the Nanning waterway region, it is necessary to solve the bottleneck problem at the waterway section from Xijin to Guixian County. The 107-km low-water waterway from Xijin to Guixian County will increase from 0.9 m to 1.2 m. At the You Jiang, it is essential to lay stress on harnessing three shoals, including (Sanmen), (Naban), and (Jiadaowang). In the Liuzhou waterway region, it is imperative to mainly harness two shoals, (Dashen) and (Zhuantong), and at the (Lema) waterway section of the Qian Jiang.

With regard to maintaining the navigation marks, we must strive to use solar energy navigation mark lights at all navigation marks on the 567.5 km of waterways from Nanning to Wuzhou and along the coasts. In 5 years, we must increase electric navigation mark lights by 550 so that the total number of electric navigation mark lights reaches 1,528.

At the same time, VHF wireless telephone will be used on the entire line from Nanning to Wuzhou, from Guilin to Yangshuo, and along the coasts and a wireless telecommunications network will be established so that information about safe navigation can be promptly supplied to ships.

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CSO: 4006/1094

CONSTRUCTION

BRIEFS

WATER RESERVOIR PROJECT--A huge project for the development of freshwater resources in China's coastal areas--the water diversion project along the Changjiang at the Baoshan steel complex--was completed on 27 May. When Chen Yun, Standing Committee member of the Political Bureau of the CPC Central Committee and first secretary of the Central Discipline Inspection Commission, conducted an inspection tour of the Baoshan steel complex, he named the water reservoir of the water diversion project "Baoshan Lake" and wrote an inscription for it. Before it went through a test run, the water-diversion project had withstood tests by many strong typhoons and shifting tides. After its test run, it once again withstood a water drainage test during the dry season. The water drainage system has proven to be effective, and the quality of the project, excellent. [By Chao Guorong] [Text] [Shanghai JIEFANG RIBAO in Chinese 28 May 86 p 1 OW] /6091

CSO: 4006/1094

FOREIGN TRADE AND INVESTMENT

UTILIZATION OF FOREIGN CAPITAL IN GUANGDONG DISCUSSED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 1, Jan-Feb 86 pp 5-11

[Article by Qui Shunping [8002 5293 1627]: "Policy Measures for Utilization of Foreign Capital in Guangdong to Import Technology"]

[Excerpts] Policies are the codes of conduct. Under a system that stresses macroeconomic control, correct macroscopic policies are especially important for reviving the economy. In recent years, the national economy of Guangdong has developed at an annual growth rate of 10 percent and within only a few years a new era in opening up to the outside world has been ushered in. The tremendous strength of the state's "special policies and flexible measures" which have been implemented in Guangdong has been demonstrated. Over the past few years, although Guangdong has gained critical advances in the utilization of foreign capital to import technology and has taken the lead nationally, nevertheless, various inadequacies still exist. Under such circumstances, going back over policy work in the utilization of foreign capital and looking ahead are both beneficial to further promoting the utilization of foreign capital in Guangdong to import technology. This may also provide lessons for other regions on work in this area.

II. Policy Measures for Ushering in a New Era in the Utilization of Foreign Capital in Guangdong To Import Technology

An open door policy will not act as an obstacle to historical trends and the utilization of foreign capital to import technology is a natural result of opening up to the outside world. These past few years Guangdong has obtained great successes in utilizing foreign capital to import technology. At the same time, there have been numerous problems. We must not stand still and refuse to make progress nor should we hesitate to press forward. We must expand further both horizontally and vertically and strive to usher in a new era. We must push the utilization of foreign capital in Guangdong to its limits and march to new heights. The preliminary phase of foreign capital utilization in Guangdong is already coming to an end and the newly developing phase is about to unfold. What should the new tactics be for Guangdong's utilization of foreign capital to import technology during the transition period between the two phases? Below I will discuss several of my opinions.

1. Establish sound rules and regulations for the utilization of foreign capital to import technology and overcome the phenomena of beggars being unable to be choosers in the utilization of foreign capital and deviation from strategic objectives.

It should be noted that during the past few years of utilizing foreign capital to import technology the phenomena of beggars not being choosers and deviating from strategic objectives have been quite widespread and severe. The utilization of foreign capital to import technology should involve orderly actions as well as effective measures for guiding and controlling these actions, that is, a sound system of rules and regulations. China's strategic objective in the utilization of foreign capital to import technology is clear. It is to fully utilize all international economic and technological forces by means of developing foreign economic and technological exchange and cooperation to serve socialist modernization and strengthen China's self-reliance. The realization of this general goal is a long-term task, it cannot be attained in one day. During this period there must be certain goals for each period and separate goals which function as guarantees. This requires that we focus on these goals and consider and formulate procedures for utilizing foreign capital so that this system of rules and regulations becomes standard conduct in the utilization of foreign capital to import technology. The rules and regulations currently in effect are not sufficiently clear and specific and there are loopholes. For instance, in the utilization of foreign capital to import technology, provisions do not clearly specify what may enjoy preferential treatment or what should be restricted. Many policy provisions lack feasibility studies or detailed rules for implementation. Thus many policy provisions are either difficult to really implement or are exploited by some people due to unclear policy limits.

In order to strengthen the political effectiveness of the rules and regulations, concerned departments should unite and assign a specific number of personnel to straighten out the regulations for the utilization of foreign capital to import technology. On this basis, they should review the past few years of actual experience and revise, supplement, perfect, and develop regulations for utilizing foreign capital to import technology. This is fundamental and important task for ushering in a new era in the utilization of foreign capital. In order to carry out this task even more successfully, it is necessary to do the following: (1) While expanding local, departmental and enterprise autonomy in determining policies regarding the use of foreign capital to import technology, it is necessary to strengthen the unified control of policymaking criteria and gradually make policymaking more scientific and standardized. Macroeconomic control departments should strictly ensure policymaking criteria by means of the various regulations. (2) It is necessary to carry out thorough feasibility studies of all policy provisions and ensure that all policy provisions are genuinely enforceable. (3) All policy provisions should have corresponding enforcement provisions. Guangdong should take the first step in opening up to the outside world be met. Moreover, in order to ensure that the introduction of technology is even more geared to our needs it is necessary to conduct a survey or sampling investigation on the state of industrial technology so as to find the weak links in the domestic supply and demand of technology. It is necessary to apply network theory, give priority to strengthening the weak links, implement special preferential policies for import projects that can strengthen the weak links, and establish an open industrial zone or an open technology network.

2. While carrying out policies that ensure foreign exchange balance throughout the country as a whole, we may allow policies that bring about an imbalance in the foreign exchange system in parts of the country. We will still carry out an improvement in the overall foreign exchange balance.

In terms of the long-range overall situation, when utilizing foreign exchange to import technology it is generally necessary to scrupulously abide by the principle of having a balance of foreign exchange, otherwise there is the danger that the foreign debt will become too heavy and it will have to be restricted or controlled. It is extremely important to ensure having a rational foreign debt. Excessive conservatism may affect the scope and rate of the absorption and use of foreign capital. If the debt is too great it will eat up a large amount of export revenues or gold reserves.

In sum, when dealing with the balance of foreign exchange on a macroeconomic level it is necessary to avoid being one-sided. We must have the concept of viewing the situation as a dynamic whole and we must implement the principle of balancing the whole system. The central ideas of this principle are: in balancing foreign exchange, break through local, departmental, occupational, enterprise and time limitations; demand that every part conform to the principles of mutual compensation in the balance and utilization of foreign exchange; oppose each one fighting for his (own) position and everyone shifting responsibility on others; strive to improve the unified balance, distribution, and use of foreign exchange; and ensure the integrated and favorable balance of foreign exchange.

3. Increase demand for bringing in exchange in the utilization of technology, expand preferential treatment for prototype technology, establish the coordinated introduction of models which correspond to Guangdong's ability to bring in foreign exchange and the direction of technical development in Guangdong.

At present conditions in Guangdong relating to the utilization of foreign capital to import technology are as follows: (1) Both in terms of economic geography and macroeconomic policies, Guangdong has the superiority and ability to develop the use of foreign capital to import technology on quite a large scale. (2) Although Guangdong already has some ability to bring in foreign exchange, compared with foreign exchange demands, this ability is still quite inadequate. Moreover, the structure of this ability is quite backward, because it relies primarily on exchange from agricultural byproducts, semiprocessed products, and compensation trade. (3) The Central Committee has asked Guangdong to take the lead in opening up to the outside world, to become a window to the outside world, to spread advanced technology and management from all over the world, and to increase exchange for the nation. Guangdong, thus, is confronted with two great tasks in the use of foreign capital to introduce technology. One is that it is necessary to absorb as much advanced practical technology as possible and management experiences which correspond to national conditions in China so as to facilitate spreading them throughout the country. Thus, during

Guangdong's utilization of foreign capital to introduce technology, it is necessary to develop a relatively strong capacity to exploit technology.

In order to ensure the realization of the two aforementioned tasks, Guangdong must use a new pattern of importation and head along the combined path of creating exchange and exploiting technology. The basic features of such a pattern of importation are as follows. It is possible to decrease, as appropriate, technological standard requirements for projects that have a strong capacity for generating exchange. The primary basis for determining whether preferential treatment be given is whether or not they can generate more exchange. Such projects should give priority to being geared to exports. They may also replace imports. They must be competitive on the international market or be able to bring in foreign exchange. It is possible to relax requirements for bringing in exchange for projects that have a strong ability to exploit technology. The primary basis for determining whether preferential treatment be given is whether they spread advanced practical technology throughout the country. Such projects must give priority to spreading technology. Similarly, they can also replace imports. The former type of project stresses direct beneficial results and requires that we have a foreign exchange compensation balance; the latter type of project stresses indirect beneficial results and the foreign exchange spent may be compensated by using other foreign exchange revenue.

4. Under the premise of strengthening domestic investments, it is necessary to break through limitations among departments, regions and enterprises, to form enterprise groups and to promote the study, absorption, mastery, improvement, development, and transfer of imported technology.

In order to give full play to the benefits of imported technology, it is necessary to improve the study, absorption, mastery, improvement, development, and transfer of imported technology. This is the generally recognized experience at home and abroad. Nevertheless, in our province, work in these links has been quite poor from beginning to end. Thus, we should rationally arrange investment ratios for each link in investment planning and have domestic and foreign capital investments as well as investments in each link. In terms of organization, we should adopt policies to encourage and foster cooperation across regions, departments, and businesses and encourage the integration of the entire process of work in importing technology by developing enterprise groups.

In addition, in order to accelerate the transfer and spread of the fruits of imported technology, under the premise of not violating special-interest laws and according to the requirements of regulations for a commodity economy, it is necessary to encourage the commericialization of the fruits of imported technology and to give full play to the role of the technology market. It is also necessary to open up exchange channels for the successful results of imported technology, to arouse the initiative of units involved in importing technology, to transfer and spread successful results, and to ensure that the rational interests of these units not be infringed upon.

5. Determine the scope of feasibility studies for projects involving imported business technology and provide unified criteria for examining and approving projects which are genuinely enforceable and can function as checks.

Although there are problems in extending autonomy in the utilization of foreign capital to import technology, macroeconomic management departments must not be indifferent. On the contrary, in macroeconomic terms, they must strictly check on what is allowed or not allowed to be imported or what imports are to be encouraged or restricted. However, the implementation of such checks must not depend on subjective will but rather on scientific criteria for examination and approval. Feasibility studies must be made on the utilization of foreign capital to import technology. The results of these studies form the major basis for macroeconomic control departments in appraising import projects.

6. Improve research on the international money market and the technology market, develop cooperation among the various currencies, and practice the tactics introduced by multilateral organizations for stimulating customer competition.

At present, one of Guangdong's problems in the use of foreign capital to import technology is that there are too many unitary clients and they are highly concentrated in specific regions and countries. For example, in 1983 the sources of investment capital in foreign capital enterprises in Guangdong were highly concentrated in Hong Kong and Macao. The total amount of investments of businessmen in this region amounted to 420 million yuan, or 91.5 percent of the total amount of investments. The amounts in other countries were: 20.87 million yuan in the United States; 7.51 million yuan in England; 6.72 million yuan in Southeast Asian countries (Singapore, Thailand); 1.93 million yuan in Japan; 820,000 yuan in Norway; 420,000 yuan in the FRG; and 120,000 yuan in Switzerland. If clients are excessively concentrated, it is disadvantageous to China in reaping a profit from competition. On the contrary, it may lead to our being dependent on clients.

There is also a problem of buyer's and seller's markets involved in the utilization of foreign capital to import technology. We must realize that while we hope that foreign businesses will come forward to make investments, foreign businesses are also eager to seek outlets for investment. If we only think of how urgently we need to import and overlook how the other party urgently needs to export, then we may consciously or unconsciously enter into a seller's market. This would mean giving up the power of initiative we may have gained and this would give rise to importation that is oriented toward the seller. As for utilizing the international money market and technology market, in order to strive for even greater power of initiative, it is necessary to improve market research in this area so as to understand market dynamics and thereby come up with corresponding countermeasures.

At the same time, the work involved in having dealings with numerous clients compared to unitary clients is undoubtedly more difficult to carry out, but the import results are more ideal. One is that it is advantageous to each party to learn from the other's strong points to offset their weaknesses and to obtain what we need. The other is that competition among nations benefits our side at the conference table when negotiating terms and bargaining.

Countries such as Japan, an industrially developed nation, are still practicing these tactics. There experiences have shown that they are effective. One point is worth noting, namely, when practicing such tactics it is even more necessary to get good client credit information, for if a certain client does not honor credit obligations, it may affect our overall planning arrangements. At present, work on client credit information is still quite poor. It is necessary to improve work in this area along with further development of foreign economic and technological cooperation.

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SPECIAL ECONOMIC ZONES

SHENZHEN DEVELOPMENT STRATEGIES OUTLINED

Guangzhou GANGAO JINGJI [HONG KONG & MACAO ECONOMIC DIGEST] in Chinese No 8 25 Aug 86 pp 38-42

[Article by Li Yizhong [2621 5030 0022] of the Shenzhen SEZ Development Co: "Shenzhen Should Be Built Into an Urban Center for Direct Economic and Technical Exchange With Foreign Countries; an Inquiry Into Development Strategies and Guiding Principles for the Shenzhen SEZ"]

[Text] The guiding ideology behind the slogan, "New and special methods for new and special things; keep our standpoint unchanged while completely renewing methods" should be implemented in the construction of the Shenzhen SEZ. We should free ourselves of traditional urban construction forms, make full use of our own unique advantages and build Shenzhen into an urban center (or bridge) for direct economic and technical exchange with the outside world.

The Lack of Effectiveness of Traditional Urban Construction Models

Current construction in Shenzhen is generally based on the usual urban construction models used both here and abroad. Because of this, the objective for construction can only be to build Shenzhen into an ordinary industrial city and port for commerce and foreign trade. Recently it has been suggested that Shenzhen be built into a comprehensive outward-facing special economic zone, with an equal emphasis on industry and foreign trade, particularly industry, characterized by an integration between technology, industry and foreign trade. However, this concept still remains within the bounds of the traditional city model, and is not fully integrated with the practical situation and conditions in China and in Shenzhen. If, when deciding upon guiding principles, we become divorced from the needs of China's four modernizations, from local natural resources, from the geographical environment, and from the original foundation and potential for development, we shall only get half the desired result while exerting twice the effort. The reasons for this are:

First, to develop industry, especially the "doubly concentrated" industries, requires the existence of fairly complete basic industry, suitable and abundant raw materials and high-level scientific and technological personnel and institutions. But these conditions are exactly what Shenzhen is weak in. Of course, as pioneers, we ought to have the pioneering spirit and create conditions where they are lacking, but to create the above conditions requires time, investment and many other factors for which a large price must be paid, and noteworthy results will not be forthcoming for some time. Everyone is seeking to develop in the directionof the 14 open coastal cities. But these cities all have the necessary basic conditions, especially Shanghai, Tianjin, Dalian, Guangzhou and other older industrial cities. How can Shenzhen compete with them? And appraising the problem from the point of view of regarding the entire country as a chessboard, what good is there in duplicating many industrial projects?

Second, the construction of a foreign trade port requires, first of all, building a harbor and piers that can handle a large volume of goods. It also requires railroads and the organizing of an international fleet, installing more telecommunications equipment, and building international finance and information institutions. More important is the possession of one's own export commodity base, channels for international and domestic trade, etc. In this, Shenzhen cannot compare with Shanghai, Tianjin, Dalian, or Guangzhou. Furthermore, Hong Kong, one of the largest foreign trade ports in the world, will again be a part of China. Therefore, careful thought should be given to plans for building Shenzhen into a port for international trade like Hong Kong, Shanghai, Guangzhou, Tianjin, or Dalian.

Third, in developing outward-facing industry, overseas sales of products are of primary importance, which is in direct conflict with the major aim of foreign investors in China--the winning of Chinese markets. Quite a few large financial groups and entrepreneurs come here to negotiate investment with just this aim in mind, but often fail to achieve success because of the orientation of product sales. Therefore, to this day Shenzhen has not attracted many large consortiums or initiated any large-scale projects. Part of all of the products of some foreign investors in China (most of whom represent medium- or large-scale enterprises), could be sold abroad. But they all wish to select locations that provide land, labor, inexpensive raw materials, a fairly good technology, and preferential treatment for their investments. Juding from present conditions, Guangzhou, the Zau Jiang delta and otheropen cities have numerous advantages in this over Shenzhen, and there is fierce competition among them. Quite a few projects originally discussed in Shenzhen have since been shifted to the interior. Some enterprises in the SEZ have rushed to set up bases beyond the second border. This is a reflection of their lack of confidence in constructing outward-facing enterprises in the Shenzhen SEZ, and is a development that must be dealt with.

The purpose of establishing SEZ's is to utilize the special geographic conditions within the zones to implement preferential policies and flexible measures in order to promote economic and technical exchange with foreign countries, make full use of the "four windows" and serve the four modernizations. If Shenzhen is built according to the usual urban construction models without taking its unique characteristics and competitive capacity into consideration, not only will a great deal of human, financial and material resources have to be spent, but the objectives of construction the SEZ's themselves may not be achieved.

Make Full Use of Shenzhen's Greatest Advantages

To build Shenzhen into a city with unique functions and competitive abilities requires first making full use of its greatest advantages. What are Shenzhen's greatest advantages? Its close proximity to Hong Kong and the International market make it one of the most important ports in the world. A city's geographical position is often one of the most central factors in its successful construction. Hong Kong used to be a poor, isolated island with no natural resources or industry, but it had an extremely advantageous geographical position. With the vast, populous and potentially rich Chinese mainland at its back, Hong Kong got a stranglehold on transportation in the South Pacific. In addition, the implementation of appropriate policies and measures helped it to develop in a short period of time into an international finance, foreign trade, communications and shipping center. After his visit last year to various large cities in China, the well-known economist from Columbia University in the United States, Dr Wang Nianzu [3769 1819 4371] told this reporter: "The investment environment of Shenzhen should be linked up with Hong Kong. The two cities are separated only by a river, which makes for convenient transportation. Hong Kong's advantages are also, in fact, Shenzhen's." This shows great practical insight and judgment. In fact, many foreign businessmen who invest in or have established offices in Shenzhen are of the same mind.

International economic and technical exchange (including investment, credit, setting up industries, developing commerce and trade, technological cooperation and transfer rights, etc.), usually takes on one of two forms: the direct form in which both parties meet face to face and negotiate and come to an agreement on the spot; and the indirect form in which documents, diagrams materials and samples are sent, or middlemen are used in negotiations and reaching agreements. The advantages of the first type are that there is a great deal of contact, mutual understanding is more easily achieved, the objects of negotiation can be seen in person, there is more room for choice and the success rate is fairly high. Therefore, many countries have established various large-scale international fairs (such as Germany's Leipzig and Japan's Tsukuba, and others), in order to provide excellent conditions for direct trade or technological cooperation with foreign firms of all nations. Foreign enterprises have also energetically established companies, branch offices or representative bureaus throughout the world in order to broaden the abovementioned first form of exchange. However, China faces many difficulties in its present attempts to expand direct importation, foreign trade and scientific cooperation. Few Chinese enterprises have branches abroad and the number of staff members who can be sent overseas on learning tours, to negotiate import contracts or to engage in trade is limited. Due to a series of problem relating to importing, customs duties and transport, there are limits on time and on the variety and quantity of goods shown in domestic fairs displaying foreign products and technology. Large numbers of foreign businessmen cannot be accommodated at export commodity fairs because of difficulties in transportation and arranging visas. Many inland enterprises have flocked to Shenzhen to open companies or offices to gain a "window" on foreign economic exchange and find a way out of their difficulties. Some enterprises in Dalian and Shenyang have not set up companies or offices in Shenzhen, and foreign businessmen find it very difficult to get to the northeast from Hong Kong, so have no alternative other than sending representatives to Shenzhen to conduct negotiations. This all shows how much China needs to create cities that can act as bridges for comprehensive and direct economic, technical and cultural exchange.

Shenzhen is without doubt the ideal choice for this role due to its proximity to Hong Kong and international markets, a unique advantage in China. First, Shenzhen is one of the largest comprehensive special zones. Foreigners, and Hong Kong and Taiwan compatriots can come and go easily, as can large numbers of personnel from the interior. Frequent economic and technical exchanges of all kinds can be carried out and the "four windows" function can be fully utilized. Due to its different social system and management practices, Hong Kong cannot take Shenzhen's place in this respect now or even for the next 12 years. Second, definite achievements have been made in various aspects of construction in Shenzhen, which has provided it with a preliminary foundation to function as a bridge to the outside. Many construction projects will become increasingly effective in the near future, while investment will be reduced corresponding. Third, many industries and departments are now carrying out various kinds of exchanges and cooperative projects in the areas of importing, foreign trade, personnel training, and other activities. As long as experiences are summed up, work is improved, and development is planned, Shenzhen can become a center for exchange of all kinds. Most noteworthy is that the establishment of such an urban bridge with its unique functions is not only not in any real conflict with the development of other open cities across the nation and Hong Kong, but is a welcome development for the entire nation due to its service to the country. It will play a giant role now and in the future in promoting the stability and reputation of Hong Kong.

Ideas on Urban Centers for Direct Exchange

In functioning as the "four windows," fanning out in two directions, and serving to improve international economic, technical, cultural and educational exchange, Shenzhen's primary strategic guiding principle should be the development of tertiary industry (including circulation and service industries), in order to mobilize the overall development of industry, scientific research, agriculture, personnel training, and other fields. The current economic system and administrative structure must be thoroughly reformed, and the following eight centers set up:

1. A center for the import and export of technology. Its main function would be to import and export technical knowledge, equipment, capital (mainly via importing; exported capital is to be used primarily for the establishment of enterprises overseas), laborers, and management knowledge, and serve as an intermediary organizer, experimenter and relayer. The center will attract firms from abroad, Hong Kong, Macao, Taiwan, and interior cities to set up companies and factories and to maintain workshops and business information services in Shenzhen. Firms (including SEZ firms), will be able to make

direct contacts, negotiate import and export contracts. It will also assist them in signing cooperative investment agreements, transferring large amounts of capital and projects to the interior. At the same time the center will assist in exporting all exportable technical equipment, products, and labor. The Shenzhen SEZ will also establish its own industrial base, and select, in its negotiations, some export-oriented projects to carry out in the SEZ, or invest in stocks and shares in the interior or abroad, thus making industry in the zone more flexible and adaptable. With strong logistical support, the SEZ can become a base for the import and export of commodities.

2. A center for scientific and technical exchange. The center would include a science and technology building, an exhibition hall, a scientific and technical information service, a science and technology market, and so on. It would have, in addition, a hotel, restaurant, entertainment, and other facilities. In order to attract foreign and domestic firms, scientific research institutes and institutions of higher education would establish various research units and special technical companies, sponsor special or overall science and technology exchange fairs and exhibitions, organize all units involved to engage in research in one or several fields, to appraise or test products, to provide scientific and technical information services for domestic and international consumption, and to contract for projects involving scientific and technical product development projects. A large-scale modern scientific exhibition center such as the one in Japan's Tsukuba could also be established.

3. An international fair and trade center. Capital could be concentrated to establish a Leipzig-style large-scale exhibition and sales center, which would include the involvement of all commercial districts of the city (exhibits could be arranged by industry), to attract foreign firms. Domestic enterprises could also set up companies, retail outlets, agent offices and so on to exhibit products made at home and abroad. Famous and specialty products from all over China and the world could be purchased here. In addition, various trading, credit, advertising, packaging, storage and shipping, customs, tax, auditing, mail order, product inspection, time consultation, and other service companies could be set up. Factories could be setup for product assembly, processing, and repairs. The trade centers should promote the integration of trade, industry and technology, as well as of production, supply, and marketing; reduce the number of middlemen, and attract foreign and domestic customers by offering a large volume of varied (foreign and Chinese) reasonably priced products. These centers would enliven the economy and allow both Chinese and foreign firms access to channels in which to market products.

4. An international information service center. The SEZ must set up its own independent information organ with modern communications equipment. At the same time, it has to attract information organizations from abroad, Hong Kong, Macao, and inland cities to set up branches in Shenzhen, to initiate long-term or temporary information markets, publish various information newspapers, and provide information services in science, technology, industry,

commerce, foreign trade, finance, construction, shipping, real estate, education, personnel and so on, so that if the interior wishes to understand information from Hong Kong, Macao, Taiwan, and foreign countries, it will need Shenzhen, and if foreign firms and other persons throughout the world wish to understand information from China, they must also go to Shenzhen.

5. A financial services center. In addition to strengthening the guiding role of several large state banks, more foreign banks must be allowed to open branches or representative offices here to run banking and financial services. Chinese and foreign banks, joint leasing companies and Chinese financial companies must be organized to expand credit, and leasing services to serve inside and outside the SEZ. An SEZ stock market could be established, and Chinese and foreign companies could be encouraged to sell their stocks there. Joint and Chinese financial information and consultative companies could be established to provide financial and market information services at home and abroad.

6. A center for the training and exchnage of personnel. First, intellectual resources and experiences from Hong Kong, foreign countries and the interior must be absorbed, and the SEZ's universities and various technical schools should be well managed in order to train specialized personnel for export-oriented work in the SEZ's and other parts of the country. Schools and scientific research, academic, commercial and trade organizations from China and overseas should set up in Shenzhen various personnel training centers and exchange organizations (such as employment agencies, training centers, specialized training classes, etc.). Academic exchange conferences should be sponsored and flexible measures taken not only to train and bring in personnel for the SEZ, but more importantly, to train and exchange personnel in international economics and technology for China, and to provide Chinese-language, economics and technical personnel for Hong Kong and foreign countries. In this way, the personnel will help spur on foreign trade activity and technology import and export.

7. An international tourism center. Not only must we do a good job in running the SEZ's tourist network and attract more foreigners and tourists from Hong Kong, Macao, and the interior to Shenzhen, but we must develop more foreign, Chinese, and joint-capital travel agencies to link up with the major Chinese tourist areas and cities abroad and organize an international tourist network. On one hand, we could organize Hong Kong and foreign tourist groups to travel in Shenzhen and the interior, while, on the other hand, we could organize inland Chinese tourist groups to travel to Shenzhen, Hong Kong, and foreign countries.

8. A transport and transportation cooperation center. While stressing the construction of railroads, highways (including high-speed parkways), ports, piers and airports, we must also seek economic links with Chinese and foreign railway, aviation, shipping and highway concerns, establish various specialty or joint shipping companies and develop diversified transport services.

In addition, as the South China Sea oilfields are successfully developed, a South China Sea development service center could be established. These centers would entail a professional division of labor, and could become semi-official organs to replace some purely official administrative organs now run by the city government, reduce governmental interference, and increase enterprise vigor. In this way, the economy can be invigorated. We must broaden our vision beyond the bounds of the SEZ to include the entire country and the world, and service the cause of economic, technological, cultural, and educational exchange between China and abroad. The above eight centers would be established for just these services, and would be primarily guided by the development of tertiary industry. The experiences of various countries worldwide demonstrates that tertiary industry requires less investment time and reaps higher rewards. It is also the liveliest and most profitable industry. If larger numbers of people can be attracted every year to Shenzhen to engage in exchanges of various kinds and to travel, the SEZ will flourish and prosper and will bring in a considerable amount of foreign currency.

More Flexible Measures Must Be Implemented

The key to the implementation of the above ideas lies in uniting our understanding, further liberating our thinking, really implementing the open door policy and taking more flexible measures.

1. Policies of preferential treatment more favorable than in Hong Kong and the interior must be implemented. The "two borders" must rapidly develop to turn Shenzhen into a genuine favorable tax-rate district. In particular, strenuous measures must be taken to eliminate various illegal sources of "tax revenue" (various exorbitant taxes and levies and additional fees and charges). Effective steps must be taken to lower land, factory building, and market prices and rents, to reduce the price of labor, increase productivity, and attract more foreign businessmen to invest and cooperate in Shenzhen.

2. Channels of all kinds both here and abroad must be created. The various centers and major enterprises must establish branch offices in major cities abroad and nationwide, and set up vast information, financial, trading, and transportation networks.

3. Entry and exit to and from the SEZ must be made more convenient. The number of people who enter the SEZ will determine its success and prosperity. The zone should be opened more to the outside, and measures should be taken to make entry and exit to and from the zone simpler and more convenient for personnel of all types at any time.

4. Foreign exchange management in the SEZ must be liberalized, and currency for use within the zone must be issued to encourage the development of direct trade.

In short, we must implement the guiding thinking of Comrade Deng Xiaoping regarding the SEZ: "It should be freed, and not hampered." We must constantly study and resolve problems that appear during the practice of construction and improve and enliven our work. The Shenzhen SEZ will surely become more prosperous and flourishing and contribute even more to the country's four modernizations.

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LABOR AND WAGES

HEBEI MEETING OF MODEL WORKERS REPRESENTATIVES CONCLUDES

SK091002 Shijiazhuang HEBEI RIBAO in Chinese 24 May 86 p 1

[Excerpts] The provincial meeting of representatives of model workers and advanced collectives concluded today after a 3-day session.

During the meeting, the representatives conscientiously listened to, studied, and discussed the reports given by Comrades Xie Feng and Zhang Fuyou. Twelve comrades, including Song Guangming and Wu Shuzhen, gave an account of their advanced experiences and exemplary deeds. Seven comrades submitted written reports.

Attending the closing ceremony were leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial government, the provincial CPPCC Committee, and the provincial Discipline Inspection Commission, including Xie Feng, Li Wenshan, Yang Zejiang, Ye Liansong, Lu Chuanzan, Qu Weizhen, Bai Shi, Wang Zuwu, Zhang Runshen, Song Shuhua, Wang Yu, and Xu Chunxing, as well as responsible comrades of the provincial Trade Union Council, the provincial CYL Committee, and the provincial Women's Federation.

Zhang Fuyou, secretary of the Secretariat of the All-China Federation of Trade Unions, also attended the closing ceremony.

Vice Governor Song Shuhua presided over today's meeting. Leading comrades of the province presented silk banners and certificates of citation to 120 advanced units and collectives and medals and certificates of citation to 504 model workers, as well as medals and certificates of citation to 41 comrades who won this year's "1 May" labor medals given by the All-China Federation of Trade Unions.

Ye Liansong, member of the Standing Committee of the provincial CPC Committee and vice governor, gave a speech. He expressed the hope that the participants, after returning to their own places, would apply the advanced ideology and experiences they have studied to the great practice of reform and construction, strive to create more outstanding achievements, win greater honor, and work together with the people throughout the province to fulfill or overfulfill the province's 1986 economic and social development plan, to successfully accomplish the Seventh 5-Year Plan, and to achieve a splendid future.

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LABOR AND WAGES

BRIEFS

WORKERS ON AID PROJECTS--Beijing, June 8 (XINHUA)--The State Council has issued commemorative certificates to 19,450 builders who have been dispatched to work on 43 aid projects in Tibet by 9 Chinese provinces or municipalities and some ministries, according to today's PEOPLE'S DAILY. These projects were undertaken in Tibet in line with directives of the party Central Committee and the State Council. About 20,000 people from Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Shandong, Sichuan, Guangdong and Fujian and the ministries of machine-building, water resources and electric power, and agriculture, animal husbandry and fisheries participated in the construction. Except for three projects suspended because of readjustments in construction designs, 40 had been completed and put to use at the end of last year after only 1 year of construction. The State Council decided to issue certificates to the builders working on these projects, including those in geological prospecting, designing, construction and management, the paper says. [Text] [Beijing XINHUA in English 0537 GMT 8 Jun 86 OW] /8918

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POPULATION

SURVEY SHOWS PROGRESS OF CHINA'S FAMILY PLANNING WORK

Beijing RENKOU YU JINGJI [POPULATION AND ECONOMICS] in Chinese Vol 1, 25 Feb 86 pp 28-34

[Article by Yang Qingtao [2799 3237 3447] of the Beijing Economics College Population Economics Research Institute and Yang Zihui [2700 1311 1979] of the Chinese Academy of Social Sciences Population Research Institute: "A View of the Great Achievements of Chinese Family Planning as Shown in the One One-Thousandth Sampling Survey of the Population"]

[Text] The great success of Chinese family planning during the 1970's has drawn the attention of the entire world. People are not only following Chinese developments but are trying to learn from them. Therefore painstaking, thorough and scientifically correct analyses and research on the achievements and development of China's family planning are most important. The "One One-Thousandth Population Fertility Sampling Survey" carried out in 1982 by the State Family Planning Commission provides abundant and accurate data for analysis and research. This article is a preliminary exploration of China's family planning based on this data.

I. Changes in the Age of Women at First Marriage

Under ordinary circumstances, marriage comes before giving birth, and giving birth is the natural result of marriage. Thus, the age of women at their first marriage is an important indicator used for studying changes in the fertility of women and in the fertility of the population. It is also one of the principal indicators of the achievements of China's family planning. The one one-thousandth fertility sampling survey data shows that the age at first marriage of Chinese women changed considerably during the 33 years from 1949 through 1982. It has these three characteristics:

1. The average age of women at their first marriage rose considerably. (See Figure 1)

In 1949, the national average age of women at their first marriage was 18.57 years. By 1960, it had risen to 19.57 years and then rose again to 23.05 years by 1980 before declining slightly to 22.82 years in 1981. This development can be divided into two periods with the years 1949 through 1970 comprising the first period. During the 22 years of the first period due to the

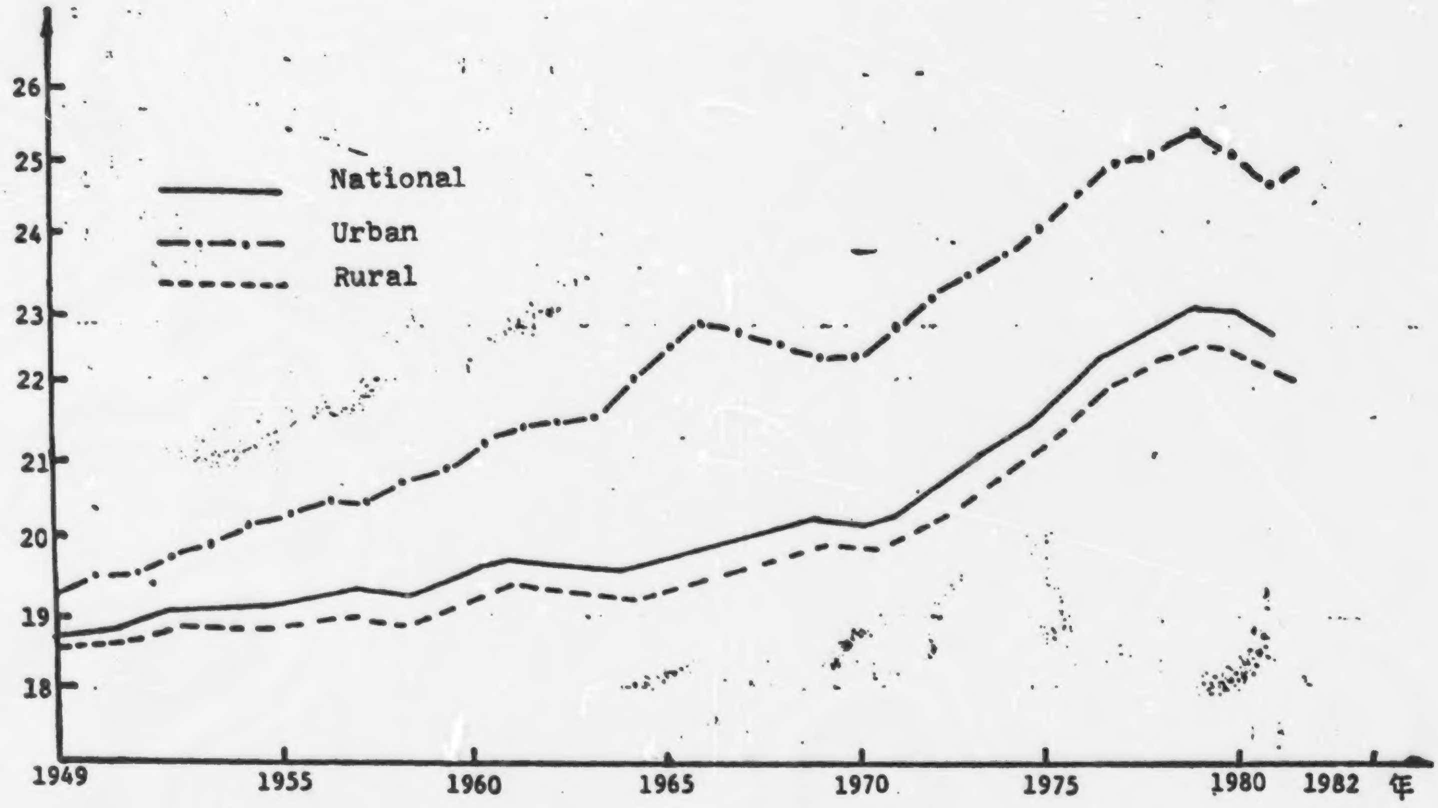

Figure 1. Average Age of Females at Their First Marriage
(1949 Through First Half of 1982)

promulgation of the "Marriage Law" there was a great change in the custom of early marriage. The average age of women at their first marriage climbed in a gently rising curve with many fluctuations. This is related to contemporaneous changes in the social and political situation.

The second period extends from 1971 through 1981. Although this period is just half as long as the first period, the average age of women at their first marriage climbed twice as fast, as can be seen from the steep, almost vertical, slope of the curve. The energetic promotion of family planning beginning in the 1970's clearly accounts for this. A decline in the average age of women at their first marriage began in 1980 and had fallen to 22.66 years of age by the first half of 1982. This is certainly related to the relaxation of late marriage propaganda since the promulgation of the new "Marriage Law." Yet this temporary decline cannot affect the general trend of steady increases in average age of women at their first marriage.

We can see in Figure 1 that trends in the average age of women at their first marriage among both urban and rural women are generally consistent although a fairly large gap which exists between the villages and the cities and townships shows that the rural villages still have not fully realized their potential for increasing the average age of women when they marry for the first time.

2. The rate of women marrying for the first time at a late age has also greatly increased. (See Figure 2)

Defining marrying late as marrying after 23 years of age as urged by Chinese national policy, the proportion of women marrying late was 6.6 percent in 1949, increasing to 13.8 percent by 1970 and again to 52.8 percent in 1980. Analyzing these trends, we discover that the curves for women's late marriage rate and the average age of women at first marriage are very similar. Even the difference between the rural and the urban rates is very similar to these curves. Before 1970, the rate of increase climbed slowly in a fluctuating and nearly flat curve. After 1970, the rate increased very rapidly with a steep, straight and nearly vertical curve. After 1980, a decline began which was related to the promulgation of the new "Marriage Law." Certainly the very rapid increase in late marriages since the 1970's resulted from the effectiveness of the vigorous dissemination of propaganda promoting late marriage.

3. The rate of women marrying early has declined considerably. (See Figure 3)

Taking the lowest legally permissible age for marriage (18 years of age according to the first section of the "Marriage Law") as the standard, early marriage was very common in China before the 1950's. In 1949, the Chinese national early-marriage rate for women was 49.3 percent, 39.1 percent in the cities and townships and 51.5 percent in the countryside. As late as 1970, the national average early-marriage rate was still 18.6 percent and over 20 percent in the countryside. From 1949 through 1970 the average of annual early-marriage rates was 33.74 percent. After 1971, the decline accelerated

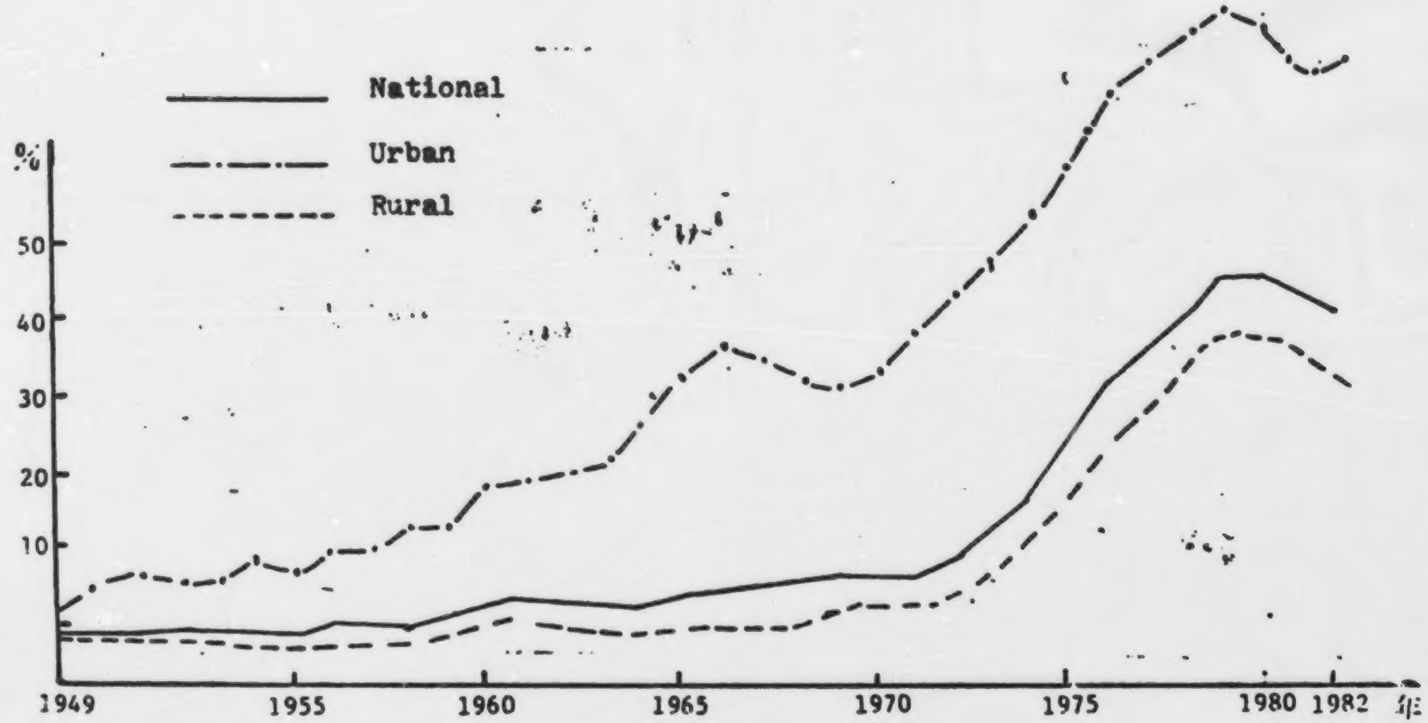

Figure 2. Late Marriage Rate for Women Marrying for the First Time (1949-1982)

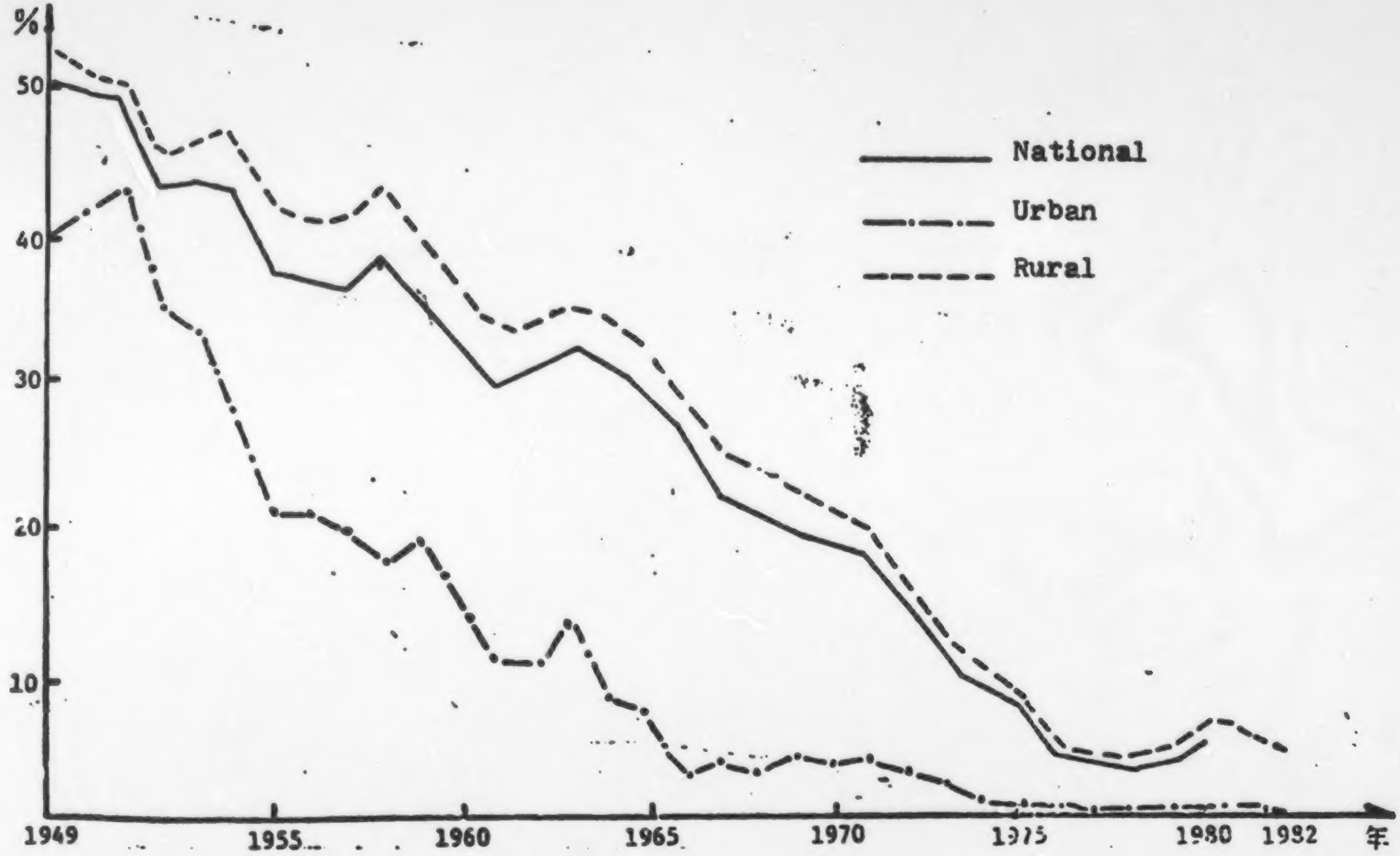

Figure 3. Early Marriage Rate for Females (1949-1982)

further, the rate dropping from 17.4 to 3.8 percent in 1982. The 1982 rate breaks down to 0.1 percent in the cities and townships and 4.7 percent in the countryside. The average annual early-marriage rate over these 12 years was just 7.34 percent, 3.6-fold less than the average annual early-marriage rate for the 22 years before 1970. From Figure 3 we can see that although there was a large decline before 1970 there were many fluctuations in it, but after 1970 there was a steady linear decline. Even in 1980, because of inadequate propaganda work for the promulgation of the new "Marriage Law," the early-marriage rate rose but very soon resumed its decline. This incident demonstrates the great achievements of China's late-marriage propaganda work.

The three principal characteristics of the change in the first marriages of Chinese women described above demonstrate a great historic change in the liberation of Chinese women from the old feudal marriage pattern and their adoption of a modern form of marriage. These three principal characteristics also show that with the increase in the age of women at their first marriage, births in a first marriage come later and the childbearing period is clearly shortened. This plays an important part in the decline of fertility and the control of population growth.

II. Changes in Overall Fertility

Overall fertility is one of the most important indices used to evaluate the achievements of family planning. The overall fertility rate is closely tied to a period's social and economic conditions, population policy, etc.

Since the founding of new China the overall fertility of Chinese women has clearly changed. The overall trend of development can be divided about the year 1970 into two periods. The period from 1950 through 1970 can be called the period of "fluctuating at a high level" while the years from 1971 to 1981 can be called the years of steady and dramatic decline. (See Figure 4)

1. The period of fluctuating at a high level: This period, which lasted 21 years, can, according to its fluctuations, be divided into three stages:

The first stage, from 1950 through 1958, lasted 9 years. The average annual overall fertility was 6.057, with a difference of just 0.793 between the high in 1952 and the low in 1958. From Figure 4 we can see that the curve representing overall fertility during these 9 years is high, steady, and broad with small peaks in 1952 and 1957. During this period, after 3 years of reconstruction, China began large-scale economic construction and the living standards of the people markedly improved. The population also entered an era of high growth with fertility holding at over 37 percent for 5 consecutive years from 1950 through 1954. During the middle of the 1950's, except in the national minority regions, birth control propaganda and promotional work was done in densely populated areas to encourage people to plan the births of their children. However for various reasons this work could not be done thoroughly. Family planning experiments were made in only a few large cities. For the nation as a whole, however, fertility was not under control. Thus, this stage can be characterized as having a high and relatively steady overall fertility.

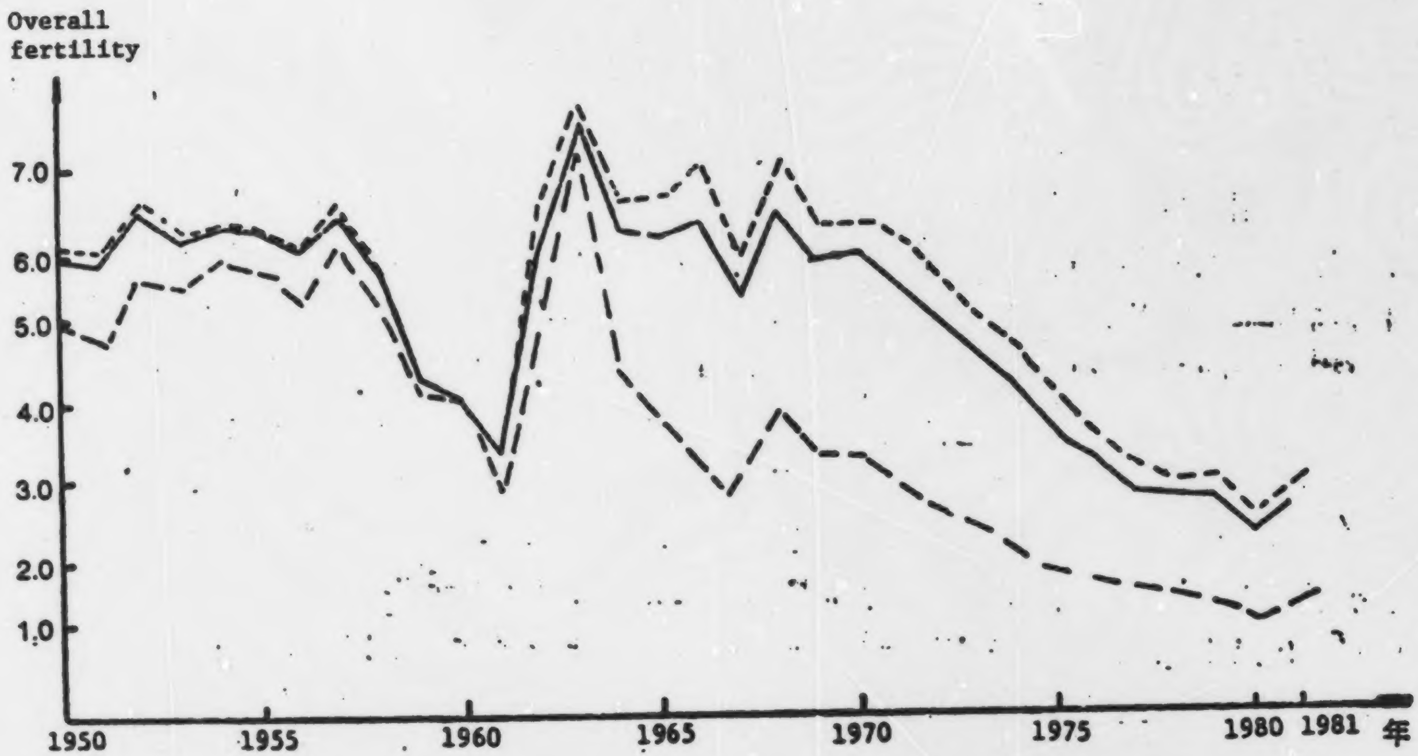

Figure 4. Overall Fertility for Women 1950-1981

The second stage extends from 1959 through 1963, a total of 5 years. Overall fertility during this stage had a deep depression and a high peak, the largest fluctuation since the founding of the PRC in 1949. During the years of steep decline, 1959 to 1961, the average annual overall fertility fell to 3.868, 2.189 lower than the average of the first stage. The lowest overall fertility, 3.287 in 1961, was 2.392 lower than the 5.679 of 1958, the first-stage year with the lowest fertility. During the two peak years 1962 and 1963 overall fertility shot up to over 6 with the peak coming at 7.502 in 1963, the PRC's historic high. The reason for these great fluctuations is clear: the "steep drop" in fertility was caused by the decline in births during the 3 years of economic difficulty. During the "great ascent," improvements in the national economy and in living standards brought a 2-year compensatory increase in births. Thus family planning has no direct connection with these fluctuations.

The third stage, extending from 1964 through 1970, lasted 7 years. During this stage the high overall fertility was similar to the first stage. However there is a clear difference between these two stages: the high fertility during this period was not as steady as during the first period and a gradual decline in fertility appeared. The average overall fertility was 5.972, 0.085 less than the 6.057 of the first stage. The peak, 6.448 in 1968, was 0.024 less than the 1952 peak of the first stage, 6.472. The year with the lowest fertility was 1967 at 5.313, 0.060 less than the lowest year of the first stage, 1958, at 5.253. This is because family planning, which had been discontinued in the 1950's, was restored to the agenda at the beginning of the 1960's. Family planning was developed in most cities and in some villages. Even when, beginning in 1966, family planning came under vigorous attack amidst the chaos of the "Cultural Revolution," producing a large oscillation as overall fertility rose to 6.448, the people, and especially families which had many children, wanted birth control. Thus, family planning did not come to a complete halt.

Another difference between the first and the third stages is that overall fertility declined faster in the cities than in the countryside. After the "great ascent" of 1963 urban overall fertility declined a total of 1.49 over 4 consecutive years, from 4.395 in 1964 to 2.905 in 1967. However in the countryside, the rural overall fertility climbed 0.391 from 6.567 in 1964 to 6.958 in 1966 before declining to 5.847 in 1967. In 1968, fertility rose in both the cities and in the countryside but the increase was much less in the cities than in the countryside. Rural overall fertility exceeded urban overall fertility by 3.153. During 1969 and 1970 the urban overall fertility declined to 3.299 and 3.267 while the rural overall fertility declined to 6.263 and 6.379, 1.9- and 1.95-fold the urban rates. Better economic, cultural and educational, and other conditions in the cities made family planning work better there than in the countryside; better results in efforts to control fertility were also obtained in the cities.

2. The period of steady and dramatic decline in fertility: During the 11-year period 1971 through 1981 overall fertility declined steadily and dramatically. The annual average overall fertility rate for this period declined to 3.566, 2.501 lower than the average for the years 1950 through 1958 and 2.406 lower

than the average for the years 1964 through 1970. Figure 4 shows that the decline from 1971 to 1980 is nearly a vertical drop. In 1981, there was a large recovery when fertility increased by 0.393 over 1980. This was because with the promulgation of the new marriage law the marriage age of several age cohorts decreased and some women who had married late had their first child, putting the 1981 first-born child fertility at 1.162, an increase of 0.869 over the 1980 first-born child fertility. Moreover once family planning was relaxed the second-born and third and successive child fertilities also rose. Considering the broad trends of development, however, the increase in 1981 does not show any significant pattern and did not have a great influence on the overall downward trend. Immediately thereafter, in 1982, the decline picked up once again and overall fertility reached 2.1 in 1983.

The principal and most direct cause of the steady and drastic drop in overall fertility since the 1970's is, aside from socioeconomic factors, the thorough implementation of family planning throughout the country. During this period, family planning developed even further on the foundation built during the 1960's. Population growth became a consideration in national economic planning and special organizations were set up at the county level and below, specialized cadres were dispatched, the specific requests that marriage and giving birth come late, the broad development of propaganda and education, and the popularization of birth control measures all played a part. Especially since the 3d Plenum of the 11th CPC Central Committee when the establishment of family planning as a fundamental national policy and its insertion in the state constitution, family planning has been promoted energetically and successfully. From 1979 to 1982, the average step increase in the population was 13.44 percent.

3. The distribution of fertility during the childbearing years has also changed markedly: The most evident change in the distribution of fertility in the childbearing years is in the decline in the relative fertility of women in the cohorts 15 through 19 and in the cohorts over 30. Relative fertility of the cohorts aged 15 through 19 years of age declined from 7.15 percent in the 1950's to 2.55 percent during the 1980's while for the cohorts over age 30 relative fertility declined from 46.12 percent during the 1950's to 22.85 percent during the 1980's. This demonstrates that controlling early marriage and the tendency to have several children is the key to reducing overall fertility.

III. Changes in Birth-Order Fertility

Changes in birth-order fertility are closely connected to changes in overall fertility. They reflect another aspect of family planning's achievements. According to analyses of data from the one one-thousandth population sampling survey, "Distribution of the Birth of Infants According to the Birth Order of the Infant in the Mother's First Marriage During 3 Years," the fertility pattern of Chinese women is already changing from giving birth early with little spacing between births and having many children to have children late and widely spaced and having few children. (See Table 1) This is shown below:

Table 1. Changes in Birth-Order Fertility for 1970, 1977, and 1981

		First-Born		Second-Born		Third, Later	
Year	Births	Number	Percent	Number	Percent	Number	Percent
1970	29,295	6,073	20.73	4,998	17.06	18,224	62.2
1977	19,997	6,171	30.86	4,918	24.59	8,908	44.55
1981	21,342	9,938	46.57	5,411	25.35	5,993	28.08

1. First-born fertility rose sharply, fertility for third and later children dropped abruptly while there was no apparent change in second-born fertility. From Table 1 we see that first-born fertility increased from 20.73 percent in 1970 to 30.86 percent in 1977 and then still further to 46.57 percent in 1981. The increase from 1970 through 1981 was 124.86 percent. During this great increase in first-born fertility, fertility for third and later children declined sharply from 62.2 percent in 1970 to 44.55 percent in 1977 and again to 28.08 percent in 1981. The decline from 1970 through 1981 was 121.55 percent. Although second-child fertility tended to rise slightly this trend was never very clear cut.

The change in birth-order fertility over these 3 years shows clearly that family planning has been most effective in controlling births of third and successive children. As mentioned previously, in 1970 overall fertility was in a period of "fluctuating at a high level." That year third and successive births were the dominant element in the birth-order fertility structure. However, by 1981 first-birth fertility had taken over the leading position from fertility of third and successive children; overall fertility declined accordingly.

2. The distribution of birth-order fertility after marriage also changed considerably (see Figure 5). From Figure 5.1 we can see in comparing these 3 years that the proportion of women giving birth to their first child within 5 years after their first marriage steadily increased from 94.29 percent in 1970 to 95.35 percent in 1977 and further to 97.51 percent in 1981. The second year after marriage is the peak year for giving birth to the first child. This peak became more pronounced as the proportion of women giving birth to their first child in the second year after their first marriage climbed from 50.82 percent in 1970 to 51.57 percent in 1977 and again to 56.52 percent in 1981. Undoubtedly this is the result of encouraging women to marry late and have children late which made the births of first children cluster more closely together.

From Figure 5.2 we can see that the period in which women have their second child is concentrated in the third through the seventh years after their marriage. The proportion having their second child in the fourth or fifth year after marriage is greatest and this proportion tends to increase. In 1970, 47.32 percent of the second-born children were born in the fourth or fifth year after their mother's marriage. This proportion climbed to 49.92 percent in 1981. This shows that the spacing between first- and second-born children is tending to increase and that there has been a very great change in the traditional practice of closely spaced births.

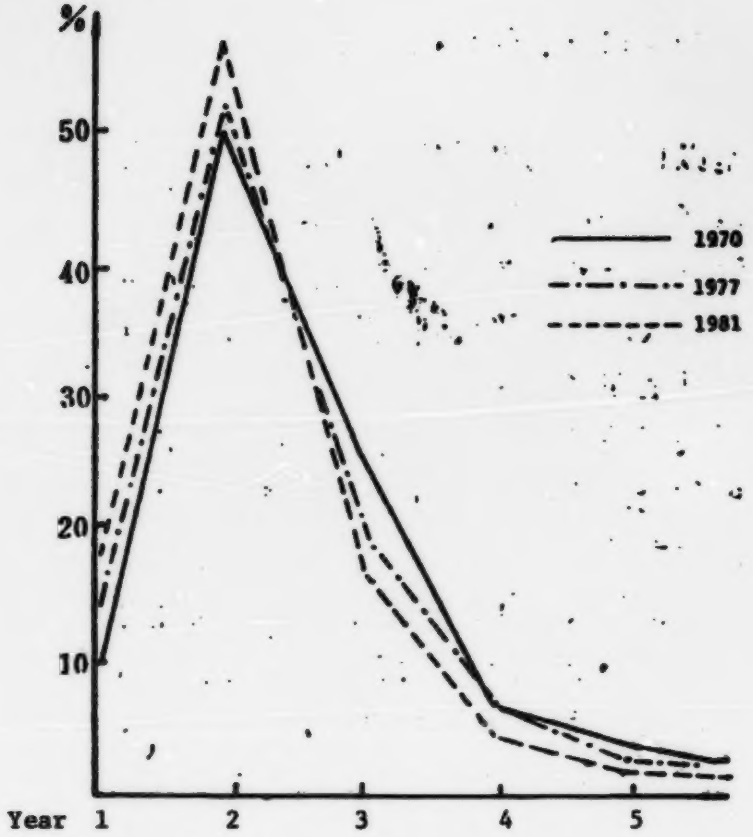

Figure 5.1. Distribution of the Fertility for First-Born Children in the First 5 Years After the First Marriage

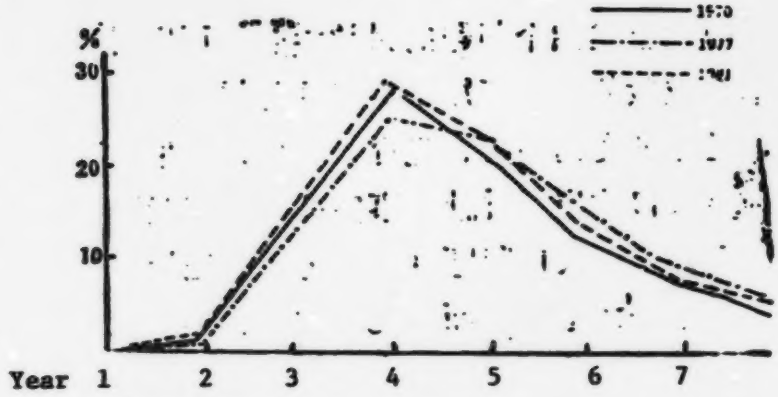

Figure 5.2. Distribution of the Fertility for Second-Born Children in the First 7 Years After the First Marriage

There is no discernible trend in the period after marriage in which third and successive children are born. The distribution begins in the third year after the first marriage and exists in each year thereafter but the proportion after the fifth year of marriage is very low.

IV. Discussion

From the discussion above we can discover several systematic issues.

1. The average age of women at their first marriage and the late marriage rate of women increased together. As the average age at first marriage and late marriage has increased, the average age of childbearing in a woman's first marriage increases correspondingly. These changes demonstrate that in the 30 years since the founding of the PRC there has been a fundamental change in the bad custom of marrying early and having children early.

2. Overall fertility and the fertility for third and successive children declined together. Accordingly the birth-order fertility structure of women changed as well and first-child fertility and second-child fertility came to absolutely dominate the fertility situation. This demonstrates that the childbearing intentions of China's women have clearly changed from the fertility pattern from having many children early and closely spaced together to having few children and having them late and well spaced. In just 30 short years the fertility of Chinese women has made a historic change in going from a high level to the replacement level.

3. There is a clear difference between the city and the countryside. Differences between the city and the countryside are evident in the age at first marriage, overall fertility, and birth-order fertility. For example in 1982 the average age of women at their first marriage in the countryside was 12.96 percent lower than in the cities and townships. The late marriage rate in the countryside was less than one-half what it was in the cities and townships while the early-marriage rate is 46 times greater. In 1981, rural overall fertility was 1.09 times urban overall fertility. Rural fertilities for the third, fourth, fifth, sixth and above children were 16.8, 33.7 and 366 times the urban rate. This to a certain degree reflects the influence of different economic, cultural, and educational factors on marriage and fertility. It also demonstrates that a great potential remains in the rural areas to contribute to raising the average age at first marriage, the late-marriage rate, and to reduce the fertility for third and successive children as well as overall fertility in order to contribute to achieving the goal of controlling population growth before the end of this century.

4. Analyzing these periods temporally, each of the changes described above took place about 1970. Up until 1970, although all of these changes were already taking place they were relatively small and there were many fluctuations. From 1971 onward nearly all these changes became linear and moved along more quickly than they had up to 1970. In the 30 years since the founding of the PRC, marriage and fertility have changed steadily along with the development of society and the economy. However the abrupt change that has been taking place since the 1970's is the result of the vigorous

promotion of late marriage and family planning. The decisive and widespread effect of policy in many areas shows that China's family planning policy has for a long time received the endorsement and support of the people and certainly could not have been so effective if it had depended on force to achieve its goals.

We can arrive at the following conclusion after our discussion of the four issues above: China's family planning policy is successful and extremely effective. In just 10 short years, the fertility pattern of China's women has changed from one in which women were marrying early and having many children closely spaced at an early age to one in which they were marrying late and having few children and superior children when they are older. This not only contributes to solving China's population problem but also to controlling world population. Under the condition that China's large population grows very quickly, and China's economy and technology are still backward, we cannot solve the population problem through Western-style "family planning" and still less can we control population growth through the "free market economy." We can only solve this problem through a Chinese version of family planning. We can do this, under the guidance of the socialist planned economy, by grasping at the same time the "two kinds of production." On the one hand, we should vigorously develop production, accelerate the pace of economic construction, and build a high socialist material culture; on the other hand, we should make population an integral part of the plan for the entire national economy, encouraging family planning parenthood, late marriage, giving birth late, having few children, having better children and gradually building a high socialist spiritual culture. The Chinese version of family planning is not only appropriate to Chinese culture but also can be a valuable reference point for many developing countries in the Third World.

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TRANSPORTATION

CAAC TO ORDER 40 MORE CHINESE-MADE AIRCRAFT

OW300747 Beijing XINHUA in English 0726 GMT 30 May 86

[Text] Beijing, May 30 (XINHUA)--Chinese aircraft manufacturer are going to provide the Civil Aviation Administration of China (CAAC), China's national flag carrier, with 40 yun 7-100 passenger planes in the coming 5 years, an official of the Aviation Industry Ministry said here today.

The official told XINHUA that this is part of efforts to further develop China's aviation industry, and the industry will also try to sell civilian aircraft in the international market.

The agreement on the deal was concluded recently between CAAC and the ministry.

Only 2 weeks ago, CAAC announced that it has signed 850 million-worth of contracts to buy 10 jumbo jets--four Boeing 747's, four Boeing 737's and two airbus A310S.

It was learned that 40 China-made aircraft will go into service on domestic air routes to and from Shanghai, Chengdu, Xian, Shenyang, Beijing, Guangzhou, Kunming, Urumqi and other cities.

The official said the industry will manufacture 10 aircraft this year. Equipped with improved radar and navigation facilities, the yun-7-100 can carry 52 people.

During the 1986-90 period, he said, "our aircraft manufacturers will provide more than 200 planes of various models for CAAC, provinces and autonomous regions. We will improve quality and offer good service."

At the same time, the industry will promote international cooperation by doing processing with supplied materials, importing technology and co-designing and manufacturing new passenger planes, and planes for farm and forestry use.

Much headway has been made in the past few years. The industry is now manufacturing wing boxes, cabin doors, engines and other parts for 10 types of aircraft, including Boeing 737's, Airbus A320S and MD-82's.

Up to now, the industry has concluded 80 million-worth of contracts for processing aircraft parts for nine firms, including Boeing, Sikorsky Aircraft and the Canadian Aircraft Company.

Aircraft-part assembly with supplied materials is undertaken in a dozen aircraft factories in Shanghai, Xian, Shenyang and Harbin.

Negotiations are still under way between Chinese aircraft makers and foreign firms to produce parts for ATP and Dash-8 aircraft.

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CSO: 4020/349

TRANSPORTATION

BRIEFS

LOCAL RAILWAY CONSTRUCTION--Beijing, June 5 (XINHUA)--China plans to construct 3,000 kilometers of local railways in the 5-year period from 1986 to 1990. The country now has a total of 4,000 kilometers of local railways. [Excerpt] [Beijing XINHUA English 0540 GMT 5 Jun 86 OW] /8918

CSO: 4020/349

PUBLICATIONS

BRIEFS

WEST CHINA EDITION OF JINGJI RIBAO--The west China edition of JINGJI RIBAO will start publication on 1 July and be distributed throughout the country. At present the economic development of west China is attracting ever greater attention. The west China edition of JINGJI RIBAO is to be run by JINGJI RIBAO. Based in the west, it will face the whole country, and act as a bridge in promoting exchanges, cooperation, and development in east, central, and west China. Thus west China's economy will display its strong points in national economic construction. The west China edition will be edited and published in Xian. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 28 May 86 HK] /6091

FOREIGN BUSINESS LAWS COLLECTION--Beijing, 30 May (XINHUA)--A Chinese-English bilingual collection of Chinese laws and regulations concerning foreign economic relations has been published jointly by China Perspect Publishing House (CPPH) [name as received] here and CCH Australia Limited. The loose-leaf, 4-volume collection, called CHINA LAWS FOR FOREIGN BUSINESS, contains 136 laws and regulations on business, taxation, customs, and special economic zones. [Text] [Beijing XINHUA in English 0624 GMT 30 Jun 86 OW] /8918

CSO: 4020/349

TAIWAN

ECONOMICS MINISTER REAFFIRMS FREE TRADE POLICY

OW071439 Taipei CNA in English 1419 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--Economics Minister Lee Ta-hai reaffirmed Saturday that the Republic of China [ROC] will continue implementing market-opening measures and lowering import tariffs in order to speed up economic transformation.

Minister Lee said that as overprotection of domestic industries will hamper industrial upgrading and inflict unfair burden on local consumers, the ROC Government will open its market for more foreign products.

To help local manufacturers survive foreign competition, Lee said, the government has reduced bank interest rates and business tax rates to help cut production cost. The government also has streamlined its overseas commercial offices in an effort to establish a local market information collecting network as well as help local industrialists make direct investments abroad.

Lee further pointed out that 98 percent of local industries are medium- or small-size businesses, most of which lack capability to collect latest market information, design new products and establish direct sales. The government will give priority to the argument of local industry's scale, he said.

Lee made the remarks at a citation ceremony for the country's outstanding exporters in 1985. The minister presided over the ceremony at the Taipei World Trade Center, in which 372 top exporters were honored.

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CSO: 4020/350

TAIWAN

BOFT CRITICIZES U.S. PROTECTIONIST MEASURES

OW071129 Taipei CNA in English 1022 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--The United States regards the Republic of China [ROC] as one of the economic powers in the world today judging from the fact that many trade protectionist measures taken by the United States are directed at this nation.

The Board of Foreign Trade [BOFT] under the Ministry of Economic Affairs is worried that the United States intends to phase out the generalized systems of preference [GSP] treatment of ROC-made products being exported to the United States by casting an image of the Republic of China as one of the developed nations.

Following the U.S. Government request that the Republic of China, Japan, West Germany and Switzerland take the initiative in imposing quotas on their respective exports of tool machineries to the United States over the next 5 years, the U.S. House of Representatives, with a two-thirds majority vote in late May, passed the omnibus trade bill, asking the Republic of China, Japan and West Germany to reduce their respective trade surplus with the United States by 10 percent annually starting in 1987.

Judging from the above-mentioned examples, a spokesman for the BOFT says, the United States has created the impression in the international community that the Republic of China has entered into the ranks of advanced nations like Japan, West Germany and Switzerland.

He notes that the United States has been trying to delete the ROC from the list of developing nations that are entitled to the U.S. GSP treatment because it wants to improve the huge trade imbalance with the ROC, which reached a record high of about U.S. $10 billion in 1985.

In recent years, the ROC has been enjoying the greatest benefit of any nation under the GSP system. For instance, the BOFT spokesman says, the ROC's duty-free exports to the United States amounted to U.S. $3.22 billion in 1985, accounting for 24.17 percent of the total U.S. duty-free exports under the GSP system last year. It also represented 21.7 percent of the total ROC's exports to the United States in 1985.

The spokesman explains that the economic development in the Republic of China still lags behind that in the industrialized nations, although the rapid economic development in this nation has been recognized by other nations with admiration. For example, the per capita income of the ROC was about U.S. $3,000 in 1985 and it was far lower than the more than U.S. $10,000 registered in the United States, Japan, West Germany and Switzerland.

Besides, he says, although the ROC's total two-way trade reached U.S. $50 billion and was listed as one of the top 20 trading nations in the world in 1985, the majority of the ROC-exported goods were products assembled here from imported spare parts and components or those of the less technology-intensive industries. This shows that the industrial and technological standards in this nation are still lagging far behind those in the advanced nations.

Therefore, the BOFT spokesman says, the ROC is still a developing country and should continue enjoying the U.S. GSP treatment. It will be unfair to graduate the ROC from the GSP beneficiary list because even Singapore and Hong Kong, whose per capita incomes stood at some U.S. $7,000 and U.S. $5,000 respectively, are still entitled to the GSP treatment, he adds.

To effectively improve the huge trade imbalance with the United States and ease the U.S. trade protectionist pressure on the ROC, the BOFT has suggested related government agencies to strive for the purchases of Alaskan crude oil and high technology equipment and products, and consider giving priority to American aircraft and equipment when purchasing for China Airlines and such major construction projects as nuclear power plants.

The BOFT, however, says that to improve the huge trade imbalance between the ROC and the United States is not a responsibility on the part of this nation alone. To assist American manufacturers in exploiting the ROC market, the BOFT sponsored an American products exhibition in Taipei last March. But American businessmen did not take part in the exhibition enthusiastically.

According to the BOFT spokesman, the ROC will enhance propaganda activities in the United States in the near future telling Americans the strong purchasing power of the ROC people in the hope that American manufacturers will be attracted to exploit the ROC market.

The BOFT, however, also hopes that American businessmen will take the initiative in studying the ROC market and setting up branch offices in Taipei to market their products. Thus, the huge trade imbalance between the two countries will be greatly improved by expanding the exports of U.S. products to the Republic of China, the spokesman adds.

/8918
CSO: 4020/350

EDITORIAL VIEWS TRADE SURPLUS WITH U.S.

OW040641 Taipei CHINA POST in English 1 Jun 86 p 2

[Editorial: "A Proper Response to the High Tide of American Protectionism"]

[Text] Recently the House of Representatives of the United States' Congress passed a bill setting out very strong protectionist measures to be taken against the Republic of China, Japan and West Germany, all of which have large trade surpluses with the United States. In essence, these three countries would, according to this bill, be asked to reduce, starting from 1987, their favorable trade balances by 10 percent each year until such time as the trade balance is not regarded as being excessive. It remains to be seen whether the Senate will go along with this, but President Reagan has made it clear that he will veto any such bill passed by Congress.

However, from our point of view, we should not, and cannot, ignore the basic forces at work which made it possible for the House of Representatives to pass such a highly protectionist bill. The United States has experienced a persistently unfavorable balance of merchandise trade (i.e. where imports have exceeded exports) for more than 15 years. Prior to 1971, it almost always had a favorable balance each year, but beginning with that year the opposite has prevailed (with the exception of 1973 and 1975, the only 2 years in which there was a favorable balance. In addition, the size of the unfavorable balance has been increasing. In 1971 the total unfavorable trade balance was only U.S. $2 billion. It grew to be nearly $40 billion in 1981, and after 1982 it jumped by leaps and bounds. In 1985, the total unfavorable trade balance was as much as $148 billion, nearly 5 percent of U.S. national income.

Why has the American trade balance become so unfavorable? In our view, Ronald Reagan should bear as much of the blame as anyone else. And is well known, his economic philosophy called for a cut in taxes and in government expenditure. After he was elected, he succeeded in doing the former, but not the latter. Large budget deficits resulted. However, the Federal Reserve refused to finance the deficits with an easy monetary policy. Consequently, interest rates went up sharply. Rising interest rates together with favorable investment environment attracted a large inflow of foreign capital into the United States, which meant an increase in demand for the American dollar. Thus the American dollar became increasingly strong. A strong dollar was of course bad for exports but good for imports, and so a trade deficit resulted. It was not until last year that the United States began, with the help of her European allies, to take steps to depreciate the dollar. However, it will take some time before the effects of the depreciation of the dollar are felt.

The protectionists in the United States are not so interested in an analysis of the causes of the American trade deficit as they are concerned with the threat of the ever increasing imports. As a consequence, they are not so interested in finding a proper cure for the evergrowing trade deficit, that is, a reduction of the budgetary deficit, as they are in lobbying support for protectionist legislation. They know that in terms of American politics, it is much harder to get sufficient support to reduce the budgetary deficit significantly than it is to blame foreigners for high unemployment and poor business at home. To be sure, a protectionist policy will harm American consumers, but the consumers are not organized to protect their own interests, while the industries which are threatened by imports are. These special interest groups try hard to put pressure on Congress to protect and further their interests. So, as long as there is a large trade deficit, there will always be a good chance that the protectionists will succeed. As long as we have a large favorable trade balance with the United States, we always [will] be a target of American protectionism.

We have had a favorable trade balance with the United States every year since 1968. In 1968 it was only U.S. $39 million. It grew to be $725 million in 1973. By 1984, it was up to $9.826 billion.

Our large favorable trade balance with the United States is not really beneficial to us. Our persistent trade surplus with the United States has caused our foreign exchange reserves to increase sharply. An excess amount of foreign exchange reserves such as we have is harmful in two major respects. First, it means there is a large outward movement of capital which we can ill afford movement of capital at home in order to upgrade the structure of the economy and realize a high rate of growth. Secondly, disproportionately large foreign exchange reserves bring inflationary pressure to bear on the economy, which we need to alleviate in order to achieve price stability, an essential ingredient of sustained and equitable economic growth.

Thus our proper response to the rising tide of American protectionism should not be one of just blaming the American protectionists, or laughing at their irrationality or short-sightedness. Instead, we should concentrate our efforts on finding ways to reduce our favorable trade balance with the United States. We are glad to see that our government is doing just that.

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CSO: 4020/350

TAIWAN

MINISTRY AGREES IN PRINCIPLE TO LOOSEN INVESTMENT LIMITS

OW090323 Taipei CNA in English 0253 GMT 9 Jun 86

[Text] Taipei, June 7 (CNA)--The Ministry of Economic Affairs has decided in principle to gradually loosen restrictions on foreign investments in trading companies here as a part of its effort to liberalize and internationalize the nation's economy.

Economics Minister Lee Ta-hai made the directive after listening to a report by Vincent C. Siew, director general of the Board of Foreign Trade [BOFT], on a proposal to allow foreigners and overseas Chinese to make investments and run trading companies in this nation.

Siew pointed out in his report that South Korea since April has opened its import and export businesses to foreign investors on certain conditions. At present, foreign businessmen here are restricted to handle imports and exports related to products manufactured by their companies in this nation, he said.

It is necessary for foreign-invested manufacturing industries to engage in foreign trade related to their products here, but it will be completely different situation and unfair to local traders if all foreigners are allowed to run trading companies here, Siew said.

Lee has directed BOFT to study merits and demerits of opening the nation's foreign trade businesses and come up with a report on its feasibility. In principle, the government has decided to gradually loosen its foreign trade market, he said.

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CSO: 4020/350

PREMIER YU AWARDS TOP EXPORTERS FOR 1985

OW071219 Taipei CNA in English 1001 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--Thanks to concerted efforts to the government and the private sector, the Republic of China [ROC] has become the 10th largest exporting country in the world, Premier Yu Kuo-hwa said Saturday morning.

Speaking at an award-presentation ceremony for the top exporters of last year, Premier Yu said that the ROC registered record exports of U.S. $30.7 billion in 1985. Although the amount was only up 0.9 percent from the 1984 level, Yu said, it was a remarkable achievement in the face of a worldwide economic downturn and growing protestionism.

Yu said, however, that the nation should still put more emphasis on upgrading product quality, diversifying export markets and following a free trade policy.

The awards ceremony was held Saturday morning at the Taipei World Trade Center with Economics Minister Lee Ta-hai presiding.

Altogether, 372 outstanding export firms were honored at the ceremony. Premier Yu conferred special-class awards on 14 companies, each of which exported more than U.S. $100 million of goods last year.

Economics Minister Lee presented first-class awards to each of 23 companies with exports of more than U.S. $50 million but less than U.S. $100 million.

The director general of the Board of Foreign Trade [BOFT], Vincent C. Siew, gave second-class awards to 305 companies whose 1985 exports were more than U.S. $10 million but less than U.S. $50 million.

Thirty other companies were also honored for successfully promoting their products in foreign markets.

The BOFT said Friday that 5482 ROC companies exported at least U.S. $1 million worth of goods last year. All of them were put on the list of the ROC's outstanding export companies for 1985.

The E-Hsin International Corp in Taipei topped the list of outstanding export firms with exports exceeding U.S. $260 million last year. The company registered in 1985 an export growth of 143.8 percent compared with the preceding year.

The exports of the 14 top exports firms in 1985 totaled U.S. $2.30 million, or 6.6 percent of the ROC's export total, which amounted to U.S. $30.7 billion.

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TAIWAN

BRIEFS

FOREIGN TRADE INCREASES IN MAY--Taipei, June 7 (CNA --The foreign trade of the Republic of China jumped by 10.59 percent to U.S. $5.05 billion in May over the same month previous year, according to statistics released by the Directorate General of Budget, Accounting and Statistics. Of the total foreign trade in May, U.S. $3.13 billion was export-related, registering a 16.7 percent growth over the figure of U.S. $2.68 billion for the same month last year. The balance went to imports, which showed a 1.87 percent increase over a year ago. The country's foreign trade during the January-May period totaled U.S. $23.85 billion, up 13.35 percent over 1985's U.S. $21.04 billion and pushing ROC's trade surplus to U.S. $5.47 billion. [Text] [Taipei CNA in English 0958 GMT 7 Jun 86 OW] /8918

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ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

JOURNAL REVIEWS PRICE ADMINISTRATION SYSTEM TRANSITION ISSUE

HK031531 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 86 pp 48-53

[Article written in October 1985 and revised in January 1986 by Zhang Weida [1728 4850 6671] of the Economic Management Institute of Jilin University: "Reflecting on the Chinese Model of Price System"]

[Text] Price reform consists of the reform in two spheres--price structure [ti-xi 7555 4762] and price system [ti-zhi 7555 0455]. Under our country's socialist conditions, selecting a model of price system that facilitates the rationalization of our price structure and correctly bringing into play the functions of price is one of the goals that our country's price reform should study and attain.

I. In Selecting the Price System Model, We Must Soberly Understand the Dual Functions of Price

The most serious shortcoming of our country's previous price system was that it prevented prices playing their functions. Our discussion and study of the price system model now is precisely aimed at giving better play to the functions of price. Knowledge about the functions of price and the characteristics of these functions is an important theoretical precondition for the selection of the price system. There are different views on the functions of price. Some people say that price had a function to express price and a regulatory function; others say that the functions of price were to regulate production, guide consumption, balance supply and demand, facilitate accounting work, and so on. I think that we should make a distinction in our understanding between what is price, what are the functions of price, and what role price plays, though these three questions are closely related. Usually, we say "price is value in terms of money." This refers to the question of what is price. However, "the (social) transformation of value into (specific) prices has undergone an extremely complicated path rather than a simple and direct path." (Footnote 1) (Lenin: "Karl Marx," "Selected Works of Lenin," vol 2, p 595) Prices passively reflect value around value as the axis. In fact, price level shows how much the value of commodities is realized. The degree of the realization of the value of commodities is directly linked with the immediate interests of the people participating in the commodity economy (including sellers, buyers, priducers and consumers). Every fluctuation of price around the axis of value will give rise to transference of economic interests.

Therefore, the basic function of price is to regulate the economic interests of the people who participate in the commodity economy. It is precisely in the process of fluctuation that prices implement the objective requirements of the law of value and regulate the economic interests of the people participating in the commodity economy. Only by so doing can prices play their role as an effective economic lever in the production, exchange, distribution and consumption processes of a society.

The function of prices in regulating economic interests directly affects the immediate interests of the participants in the commodity economy. Therefore, naturally the regulatory function of prices is of dual nature: On the one hand, through immediate interests, it urges enterprises of conscientiously reduce their consumption of labor and be concerned about the changes in marked demand and can thus imbue commodity production and operation with vitality; on the other hand, precisely because it starts from the interests of the enterprise itself in invigorating the commodity production and operation of the enterprise, it unavoidably gives rise to some blindness. The "Resolution of the CPC Central Committee on Reform of the Economic Structure" is very clear about this. While saying, "only by fully developing the commodity economy can we really enliven our economy," it points out: "the widespread development of the commodity economy may also give rise to some blindness." Therefore, it is very natural that as a mechanism for the operation of a commodity economy, price plays a dual regulatory role. Neither a capitalist nor a socialist commodity economy is an exception. The difference is: under capitalist conditions, it is impossible to overcome the blindness caused by the regulatory role of prices; while under socialist conditions, it is possible to conduct planned macroeconomic guidance and regulation and exercise administrative control over the blindness caused by the regulatory role of prices. This is precisely what is superior in a socialist economic system.

In order to have a sober understanding of the dual role in the functions of price, we should be careful that we do not negate this regulatory function because of the blindness caused by the regulation by prices. However, we should not overlook the blindness that may be caused by regulation by price, in stressing the positive role of the regulation by price. In the past, our price economic rigidity. We must resolutely reform this. Now, we have reformed our price system, relaxed our control over prices, allowed prices to fluctuate, and thus roused the vigor and vitality of our enterprises, but relaxation does not mean the adoption of a laissez-faire attitude and the giving up of macroeconomic control. Our discussion about and study of a model for our price system are precisely aimed at giving full play to the superiority of the socialist system and looking for a form of price management that facilitates controlling the blindness as well as enlivening our economy.

II. Our Model of Price System Must Meet the Requirements of the Planned Commodity Economy Founded on Public Ownership

A model of price system means a certain pattern of price administration system or a certain type of price management system and is generally shortened as price model. It is a form of the realization of the rationalization of price structure in order to give play to the functions of price. Price system means the relations of price disparity and the price relations between commodities reflected on the basis of the law of value. The contents of price system are the same under the conditions of any commodity economy. This is a general character of price as a relation of exchange. However, the price administration system that is adopted to form price structure, regulate price disparity, and rationalize price relations varies as the nature of commodity economy and national conditions vary. The model of price system that we are discussing and studying is nothing but a socialist price administration system, and in addition, is a socialist price administration system with Chinese characteristics and full of vigor and vitality.

How should we select our price system model? People generally think that as a type of price administration system, a model of price administration system consists of a decisionmaking system, a regulatory system, a motivation system, an organization system, and so on. These components are determined by the different forms in which the objective law of price formation shows itself under different commodity economic conditions, in other words, the different forms of price formation. Different forms of price formation determine different price decisionmaking systems, regulatory systems, motivation systems and organizational systems. Therefore, in selecting the model of price system, what is most vital is to discuss and study the forms of price formation under different commodity economic conditions. In the world at present, there are in the main two major kinds of price model owing to different types of commodity economy: One is the free price model in which prices take shpae spontaneously entirely through the regulation of market mechanism under the conditions of the anarchic capitalist commodity economy. The other is the planned price model in which prices take shape in a planned manner under the conditions of a planned socialist commodity economy. Even in socialist countries, price models vary as their national conditions vary. Some of them adopt the centralized and planned price model; others adopt a decentralized model of free prices under the guidance of supply and demand relations; still others adopt a mixed planned and market price model. In selecting our country's model of price system, we should adhere to the principle of socialism and start from our national conditions. In my opinion, there are in the main the following objective bases for our consideration:

First, it should reflect the requirements of our country's planned commodity economy that is established on public ownership. Under socialist conditions, planned economy is not in conflict but is in unity with commodity economy. This determines that the form of price formation in our country is necessarily an organic unity between planned formation and the regulation of market mechanism. The price of pitting one of these two forms of price formation against the other does not conform to our country's socialist economic reality. Nor does the practice of allowing only centralized and planned price formation or allowing only the spontaneous formation of prices by the regulation of market mechanism.

Second, it should be suited to the planning system that our country has established and that consciously applies the law of value. The price administration system is an important constituent part of the whole socialist economic system and is in particular very closely related to the planning system. Our country's socialist planning system must consciously follow and apply the law of value and is a system that combines centralism with flexibility. Our planning system must coordinate and must not be in conflict with our price administration system. This requires that the form of price formation in our country should consciously follow the law of value and should be a form that combines the centralism of planning with the flexibility of the regulation of market mechanism.

Third, it should be conducive to the development of social productive forces. The fundamental task of socialism is to develop social productive forces. In order to fulfill this task, we must radically change the rigid model of price system that hinders the development of our productive forces. We should enable the forms of price formation to correctly play the role of economic regulation and to facilitate not only enlivening our enterprises but also controlling blindness and thus promote the vigorous, planned, and proportionate development of our entire national economy. In order to conform to the diverse levels of productive forces, diversified economic forms, and planned commodity market system in the current period in our country, we are now adopting pluralistic forms of price formation including planned prices fixed by the state in a centralized manner, floating prices within planned ranges, and free prices. The above three forms of price each has its scope of application and functions and they should not be regarded as equals. Judging by the above-mentioned objective basis for the selection of our country's price model, I think that the principal model of price system for our country should not be the state's unified price or the free price but should be the floating price within a planned range.

Planned prices set by the state in a centralized manner has the advantage of direct planned regulation, but it has the disadvantage of not being able to sensitively reflect the change in value of commodities and in the supply and demand relations in the market; therefore, it should not be the principal form of price formation in the price system of our country's planned commodity market. This form of price formation is suited only to a small number of important commodities that are vital to our national plans and people's livelihood and that are directly controlled by our state. As the system of the state's indirect control takes shape and becomes perfect, we should gradually reduce the scope and percentage of the goods whose prices are set by the state in a centralized manner. Of course, it is not appropriate to entirely abolish this form of price formation in order to facilitate the state's direct control over the economic lifelines, in order to enable it to take part in the regulation by market mechanism and in order to bring into play its dominant role in regulating our national economy.

As for free prices, their greatest advantage is their ability to sensitively reflect the complicated and always changing supply and demand relations in our market; while their major defect is precisely that their entirely spontaneous formation through the regulation of market mechanism makes it impossible for them to be free from blindness. Even if we have perfected our system of indirect control, this defect will not disappear. We must be clear that our country's commodity economy is not a capitalist economy, but is a socialist commodity economy and that the model of price system that we select is nothing but a socialist price administration system. We should not fail to learn from the lessons that some socialist countries have drawn from their implementation of the model of free prices under the guidance of supply and demand relations, let alone the lessons drawn from the consequence of the capitalist countries' implementation of the model of free prices entirely regulated by market mechanism. In order to meet the requirements of the planned commodity market system, our country should establish a sound system of indirect control. The state precisely applies price--the most effective economic lever (in coordination with application of diverse economic levers such as credit, taxation, and exchange rates)--as a major part of its planning to indirectly control and regulate the operation of its commodity economy. We can say for sure that there is a necessity for free prices to exist in our country in the present period. However, it can only be a useful supplementary form of economic regulation and cannot be the principal part of our country's price system.

The floating price within the planned range has the advantages of both the planning mechanism and the market mechanism, is conducive to microeconomically and sensitively reflecting market changes as well as to macroeconomical and planned control, and embodies not only the regulatory functions of planning but also the functions of the regulation of market mechanism. Therefore, it can be said to have the functions of both mechanisms. Since our country's socialist economy is a planned commodity economy on the basis of the public ownership and since it is not a free market economy on the basis of a private ownership, the typical form of price formation for our country must be the form of floating prices within planned ranges and must not be the form of free prices without planning. As our planned commodity market system gradually becomes perfect, the state's planned control will gradually switch from the practice of mainly exerting direct control to that of mainly exerting indirect control. As a result, the scope of floating prices within planned ranges must be correspondingly enlarged and become the principal form of our country's price system. I favor the view that the principal part of our country's price model should be the model of floating prices. To be more specific, it should be a price model with the planned prices set by the state in a centralized manner as the leading factor, with floating prices within planned ranges as the core, and with free prices as the supplement.

III. We Should Have A Clear Understanding of the Relaxation of Control and the Control over Prices and of Flexible and Stable Prices

Along with the switch from the rigid model of price system to the new model of price system full of vitality, people must also radically change their ideological concepts and accept the concept of planned commodity economy. Here, I am going to talk about two points of understanding related to the model of price system.

1. Relaxation and imposition of price control

In implementing the model with floating prices as the core, we must relax our control over prices. For floating prices, the state only stipulates some benchmarks for the prices and the planned ranges for price fluctuation. The actual prices are to be decided by enterprises on their own in the light of the changes in market situation. As for free prices, they are entirely regulated by market mechanism and decided by enterprises on their own. Relaxation of control means the gradual reduction of the scope of the state's unified prices, the decontrol of prices, the enlargement of the scope of floating and free prices and the expansion of the power of our enterprises in setting prices.

An opinion that most people agree with is that the relaxation of price control does not mean a total decontrol and that themore the relaxation of price control, the reater the necessity to intensify our administration. This goes without saying. However, what is worth profound thinking is that in our real economic life, as soon as we relax our control over prices, a situation difficult to control will emerge and there will even be the unhealthy practice of unauthorized price hikes. Some comrades put the blame on the relaxation of price control and uphold a reversal of the practice. Does this not mean the return to the old practice of "confusion emerges as soon as control is imposed?" I think that the problem does not lie in the relaxation of price control. In order to bring into play the regulatory functions of price, we must relax price control. This is indispensable for the reform in our price administration system. At the same time, just as mentioned before, it is also inevitable that giving play to the functions of price will have the dual effect of invigorating enterprises and giving rise to some blindness. The crux of the problem is our administration. What kind of administration can enable prices to invigorate our enterprises and at the same time give rise to little or no blindness? This is a kind of art of administration, a kind of art that we are not familiar with. We are only familiar with the rigid and direct control and administration over prices that we conducted for many years. In people's minds, the concept of control, in fact, is the previous direct control and administration over prices. If we act according to this old concept, we will certainly pit relaxation of price control against price administration and it will be impossible for us to avoid repeating the old cycle of "confusion emerges as soon as control is relaxed and rigidity emerges as soon as control is imposed." Obviously, this does not meet the requirements resulting from the development of our socialist planned commodity economy or to the need to set up a new price administration system. We should have a new understanding of price administration and must radically change our concept. The "CPC Central Committee's Proposal on the Formulation of the Seventh 5-Year Plan for National Economic and Social Development" says: "The state's administration over enterprises will gradually switch from mainly imposing a direct control to mainly exercising an indirect control." Correspondingly, the state's administration over prices should also necessarily and gradually switch from mainly imposing a direct control and administration to mainly exercising an indirect control and administration. This requires that we must foster the concept of exercising indirect macroeconomic control and administration over prices and learn a new skill of indirect control and administration. Relaxation of price control does not correspond to direct control over prices, but corresponds to indirect control over prices. In relaxing price control and allowing prices to vary, we do not entirely decontrol prices, but make prices change along a normal orbit and sensitively respond to the changes in the planned commodity market. By so doing, the more we intensify our indirect macroeconomic control and administration over prices, the better the microeconomic relaxation of price control is facilitated. In the process of relaxing price control and allowing prices to vary, we will intensify our indirect macroeconomic control and administration over prices, really manage to organically unify price control and relaxation of price control and really become able to avoid rigidity when imposing control and to avoid confusion when relaxing control.

How should we indirectly control prices? What can we control if we do not directly interfere with the setting of prices? People are often perplexed by these questions. One viewpoint holds that the state's indirect price control means only a control over the general price level. As for the prices for various commodities, it should allow them to be set spontaneously by the market. I think that this understanding of indirect control fails to view the issue in totality. The "Resolution" points out: "Prices are the most effective regulatory means." If the state only controls the general price level and allows the specific prices of various commodities to vary entirely spontaneously, then this actually means that the state gives up its most effective means of regulation by prices. I think that the state's indirect control over the prices that it has relaxed control over, should consist of the following two aspects. On the one hand, the state should control the general price level through controlling the balance between total supply and demand and through controlling the restrictive factors such as the volume of currency issued; on the other hand, the state should control the benchmark prices and ranges of fluctuation for the prices of most important commodities and thus consciously apply the regulatory means of price. Only a few unimportant commodities can have free prices over which there is no control at all. The state should give guidance to, and exercise its influence even over free prices. In so doing, it can conduct necessary administrative intervention. Of course, it is very difficult to exercise indirect macroeconomic control and we lack experience in this sphere, therefore, it is necessary to probe into the way to do so. I think that in probing into the way to impose macroeconomic control, we can do the following: For example: 1) In order to give play to the regulatory functions of price, we should control the general price level and the range of fluctuation for various prices and make comprehensive and coordinated application of price and other economic levers; 2) on the basis of summing up our experience in implementing the policy of direct price control, we should study and draw up new price policies for indirect macroeconomic control and administration over prices; 3) we should satisfactorily do the work related to price information and forecast, provide price advisory service and correctly guide enterprises in setting prices and making decisions related to prices; 4) we should provide a satisfactory environment for the relaxation of price control, for example, we should straighten out our economy, expand our commodity market, control total social demand, and create environment for competition between our enterprises; and 5) we should perfect our legislation related prices, intensify price examination and supervision and thus ensure that the relaxation of price control and the practice of allowing prices to very [word indistinct] along the orientation of the development of the socialist planned commodity economy. Indirect macroeconomic control and microeconomic relaxation of price control coordinate with and are suited to each other. If we relax our price control before we have sufficient necessary measures to indirectly control prices, there will inevitably be a failure to exercise macroeconomic control over prices.

2. Flexibility and stability of prices

Relaxing price control while exercising an indirect macroeconomic control over prices will enable our prices to reflect changes in our markets and fluctuate around the value. The nature of the fluctuation of prices means its "flexibility," and is also its most prominent characteristic. Even the socialist planned prices are no exception. It is a misunderstanding to regard prices as fixed and unchanged. The factors that determine prices such as value and supply and demand relations always change; therefore, we cannot but allow our prices to fluctuate flexibly. If we deny the fluctuation of prices, it will be impossible for the law of value to play its role of regulation. Only "through the fluctuation of commodity prices can the law of value governing commodity production be implemented and can the thesis that socially necessary labor time determines commodity value become reality." (Footnote 2) (Engels: "Marx and Johann K. Rodbertus. Preface to the German Version of 'Poverty of Philosophy,'" "Collected Works of Marx and Engles," vol 21, p 215) The previous practice of fixing prices, unchanged for a long time, precisely reflected the rigid model of price system. Just as the "Resolution" points out, the reform in the model of price system that we are carrying out is precisely aimed at "enabling prices to relatively sensitively reflect the changes in social labor productivity and to relatively satisfactorily meet the demand of the national economic development." At the same time, we should also clearly see that under our socialist conditions, there should also be a stability in our prices. This is necessary for the socialist system in stabilizing its market and its people's livelihood and thus enabling its society and economy to develop steadily. We should provide a real possibility for socialist publicly-owned economy to stabilize prices through its macroeconomic control. The unity between the fluctuation and stability of prices is unique important characteristic of socialist prices.

For a long time, people have set the fluctuation of prices against their stability, in other words, set price "flexibility" against price "stability." Some comrades think that if we relax our control over prices, it will be impossible for prices to stabilize and that if we want to maintain stable prices, we must freeze prices of materials and goods and we should not relax our control over prices. In spite of our many years of repeated propaganda that stable prices do not mean frozen prices, in people's minds, they in fact continue to regard price stability as prices being unchanged and frozen. What is the reason for this? I think that this is mainly because we confuse the two different concepts in regard to the things which the flexibility and stability of prices refer to. The fluctuation or flexibility of prices refers to the price levels of specific commodities and is the characteristic of prices that fluctuate to reflect changes in the market. The stability of prices refers to the general price level and is the basic stable trend of the general price level while the rises and falls of the prices of specific commodities offset one another. The two are closely related and supplement each other. The fluctuation of the prices of specific commodities needs the stability of the general price level is not stable, the fluctuation in the prices of specific commodities will lead to economic disorder. The stability of the general price level, on the other hand, must be based on the rational fluctuation of the prices of specific commodities in order to maintain a rational price structure. If our price structure is not rational, it will be difficult for the general price level to stabilize and it will be detrimental to giving play to the functions of price as an economic lever. However, the economic conditions that determine the stability and flexibility of prices are different. The fluctuation of specific prices is mainly determined by the changes in the value of the commodity and in the supply and demand relations; while the stability of the general price level is mainly determined by equilibrium between the volume of supply of commodities and the social purchasing power and the balance between total social supply and demand. From the above, we can see that maintaining the stability of the general price level is by no means a task for a single price administration department. It is not difficult to imagine that if our macroeconomy grows out of control, and if there is an overexpansion of social consumption funds and investment in fixed assets, then it is impossible for a price administration department to control and stabilize the general price level alone. Freezing the price of a specific commodity is only a temporary measure and should not be regarded as a law for price administration work. The effect of even applying a measure to freeze prices is restricted to state-owned enterprises only. It is impossible to freeze the prices in collective and individual units. At the same time, it is necessary to grant financial subsidies in freezing prices. This often means paying the price of allocating subsidies to obtain price stability on the surface. In essence, this means a "covert inflation." Moreover, it is too heavy a burden for our finance, if it is to be maintained for a long time. Therefore, it is unjust to lay the blame for the instability of the general price level entirely on our price administration department and call our administration of commodity prices "price hike administration." In order to maintain a stable general price level, we must satisfactorily do the work to strike a comprehensive macroeconomic balance, which is the consequence of the harmonized coordination of various departments of our national economy in making joint efforts to intensify macroeconomic control.

Will the reform in our price structure give rise to a rising trend to prices? This is a practical question that people are very much concerned about and have relatively frequently discussed. During the reform, we must maintain a basically stable general price level. Under normal conditions, if a comprehensive balance is struck through macroeconomic control, mostly, it will be relatively easy to maintain a basically stable general price level. However, what we are doing now is to reform our irrational price structure; therefore, whether the general price level will rise is determined by the degree of irrationality in our price structure that needs to be readjusted. We should not be satisfied with making theoretical forecasts but must make practical estimates. If price reduction is greater than price increase in our price readjustment, naturally, the general price level will not rise. Owing to the problems related to prices that have been left over by history, the prices of our mineral products and raw materials are generally low, the purchase prices of major agricultural and sideline products are higher than the sale prices, and the products of the processing manufacturing industry are generally too high. It is necessary to readjust two categories of goods of low prices and reduce the high prices of one category of goods in our price structure; therefore, our rough calculation shows that even if there is no inflation, the reduction in the prices of one category of goods is not enough to offset the rises in the prices of two categories of goods and that a fairly large range of rise in the general price level is unavoidable. Looking squarely at the possibility of rise in general price level after price readjustment does not mean that we encourage price hikes, but means that we should be mentally prepared for the rise and earnestly find ways to maintain a basically stable general price level during our reform. This determines that in carrying out the reform in our country's price structure, we should not finish the price readjustment at one stroke, but we must divide up the task into several parts and do only a part of the task in each year. By so doing we will be able to avoid the social turbulence that may be caused by the price readjustment. Therefore, we should pay attention to studying the following: 1) We should make an estimated calculation of the rate of increase in our general price level that may be caused by the planned price readjustment for each of the coming years, and strive to control the rate within the range allowed by the necessity to maintain a basically stable general price level. According to our past experience, generally, it should be controlled within the range of 2-3 percent, but for some specific years, it should not exceed 5 percent. In particular, it should not exceed the interest rate for bank deposits or the rate of wage increase in order to avoid causing economic disorder or instability in people's livelihood. 2) In carrying out each stage of price readjustment, we should fully consider the capacity of the state finance to bear it, the capacity of our enterprises to absorb the increase in costs, and the capacity of the masses of people to endure it. We should do our best to avoid a widespread chain reaction that may be caused by the price readjustment that exceeds these capacities and that may thus give rise to universal rotational price rises. 2) We should create a satisfactory macroeconomic environment for our price reform, strive to strike a comprehensive balance for our national economy, control the volume of issuance and injection of money, and prevent any instability in the value of our currency from affecting the stability in our general price level during our price reform.

The range of increase in our general price level in each of these years that we are to control, is not the range of change in the prices of some specific commodities, but is the average change in our general price level as a whole. Therefore, during the reform in our price structure, while controlling the general price level within the range allowed, we should allow the prices of specific commodities to rise or fall in order to reflect the changes in our market. We should not view the changes in the prices of specific commodities during our price reform with the old idea of freezing prices and thus regard any increase in price as price instability. How can we reform our irrational price structure if none of the prices of specific commodities is allowed to change? Here the following two issues are worth studying and handling. 1) The issue to draw a clear demarcation line between rational and irrational price increases. As our price structure is irrational, the prices of some commodities should rise. These rises are rational and necessary for the reform in our price structure. But we should strictly forbid the practice structure. As for the practice of taking advantage of the reform to pushing up prices at will or in disguise, or even the practice of producing fake medicine and goods and pushing up prices indiscriminately, they are illegal practices and must be punished by law. 2) We should satisfactorily combine price readjustment with relaxation of price control. In regulating our prices, readjustment means changing our prices consciously in a planned manner; while relaxation means allowing prices to be regulated by market mechanism itself. We should not adopt a laissez faire attitude toward the prices over which we have relaxed our control and thus allow an irrational disparity between listed and market prices. For important commodities, we should set planned ranges to restrict the fluctuation in prices, and thus control the fluctuation within the scope that the state, enterprises, and masses of people can endure. As for the prices on which we have lifted our control and allowed to change freely, under the situation of a serious shortage of certain materials and goods, we should fix a ceiling for the prices. If we entirely abandon our control over these prices, we will not be able to maintain a basically stable general price level.

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WANG JUN ON 1986 ECONOMIC, SOCIAL DEVELOPMENT PLAN

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["Excerpts" of the report on the 1986 Beijing Municipal Economic and Social Development Draft Plan given by Wang Jun, chairman of the Beijing Municipal Planning Commission, at the Fifth Session of the Eighth Beijing Municipal People's Congress on 14 May]

[Text] Fellow deputies:

Entrusted by the municipal government, I now submit a draft plan on the 1986 Beijing Municipal economic and social development to the present session.

Based on our country's Seventh 5-Year Plan and the plan for 1986 adopted at the Fourth Session of the Sixth NPC, the basic tasks of the 1986 Beijing Municipal economic and social development plan are: Continue to implement the guidelines of the "four directives" given by the CPC Central Committee Secretariat, and the "10 instructions" given the CPC Central Committee and the State Council; do a good job in consolidating, digesting, supplementing, and improving the economic structural reform in accordance with the unified plan of the central authorities; strictly control the scope of investment in fixed assets; guard against the excessive growth of consumption funds; keep production at a proper growth rate on the premise of raising economic results; strive to strengthen and improve macroeconomic management; maintain a basic balance in finance, credits, materials, and foreign exchange; and develop the municipality's economic and social undertakings in a sustained, steady, and coordinated manner.

Under the draft plan, the total product of society should be valued at 51 billion yuan, up 5.8 percent over last year; the national income should be 20.5 billion yuan, up 5.7 percent over last year; the gross domestic product should be valued at 27.5 billion yuan, up 7 percent; and the total industrial and agricultural output value should be 37.2 billion yuan, up 6.4 percent.

1. The Agricultural Sector Should Promote an Overall Development in the Rural Economy Under the Premise of Stabilizing the Grain Output

The suburban areas should continue to implement the principle of "serving the capital, making the peasants prosperous, and building a new modernized socialist countryside," readjust the production setups in a planned and step-to-step manner, develop diversified undertakings, reform and improve the circulation system, and establish more stable nonstaple food bases in line with the requirements of making them become more and more specialized, commercialized, and modernized. Under the draft plan, the total industrial and agricultural output value of the suburban areas should be 8.09 billion yuan, an increase of 10 percent over the previous year; the output of grain should be 2 million tons (4 billion jin), that of milk, 140,000 tons (280 million jin), and that of eggs sold as commodities, 120,000 tons (240 million jin). The purchase of hogs should be 1.7 million head and the output of meat chicken should be 6.5 million. The volume of fish should be 17,500 tons (35 million jin) and the output of dried and fresh fruits should be 195,000 tons (390 million jin).

In order to stabilize grain output, and to properly increase funds for agricultural production and construction, we should increase the amount of subsidies for supporting agricultural production. All districts and counties should conscientiously implement the prinicple of operating rural industrial enterprises in order to support agricultural production, and lead the peasants in increasing their investments in agriculture. The grain farming areas should be relatively stabilized.

It is necessary to adopt measures to strictly prevent the areas of grain fields from being excessively reduced. We should strengthen the work of carrying out scientific research in the agricultural sector and of popularizing technology, raise the proportion of fine grain strains, apply more fertilizer to the fields, and strive to raise the per-unit area yield.

We should continue to implement the policy that agricultural production must serve the urban areas, and strengthen the building of nonstaple food producing bases. Vegetable production and supplies should be mainly carried out by the suburban areas, supplemented by the outer suburbs, and regulated by other localities. In vegetable production, we should grasp three links well: First, we should ensure the vegetable farming acreage. The farming areas in the suburban areas should not be less than 170,000 mu and the outer suburbs should strive to make the vegetable farming acreage reach 40,000 mu. This is a basic measure for guaranteeing vegetable output. Second, we should conscientiously implement the vegetable production and marketing contracts which should be strictly honored by peasants and commercial units. Third, we should resolutely implement the various government economic policies and regulations for developing vegetable production and guaranteeing vegetable supplies, and fully mobilize the enthusiasm of vegetable growers. In the meantime, commercial departments should strengthen cooperation with neighboring areas, establish vegetable production and supply bases, step up the purchases and transportation of the vegetables grown in other areas, and strive to make this year's vegetable production and supply better than those of last year. We should continue to greatly expand the production of milk, eggs, poultry, fresh-water fish, lean-meat hogs, and dried and fresh fruits, and satisfy the needs of the capital on a priority basis. We should also further reform and improve the farm and sideline product circulation system, set up direct links between producers and sellers, develop inter-regional joint operations and the new commercial departments joined by agricultural and industrial units, by agricultural and commercial units, accelerate the construction of farm and sideline product wholesale markets, and create better conditions for farm and sideline products to enter the urban areas.

Township enterprises of our municipality have witnessed great development over the past few years. This year, they should further consolidate themselves, strengthen management, expand lateral economic cooperation, and strive for better economic results. All districts and counties should decide on the orientation and major areas of development of their township enterprises on the basis of their own economic situation, natural resources, and market demands so as to avoid blind acts. At present, they should mainly engage in the processing of farm and sideline products, ore mining, the industries, commerce and service trades in support of large industrial enterprises, and the tertiary industry for pre- and post-production service. Departments in charge of various trades should give a helping hand and guidance to districts and counties in their planning for township enterprise development. Township enterprises should rely chiefly on their own accumulated funds and develop according to their capacities. Finance, tax, and banking departments should abide by relevant regulations and support the best enterprises on a priority basis. A portion of the increased income of township enterprises should be set aside to support crop farming, forestry, animal husbandry, and fisheries so that the economic benefits of various rural trades can be rationally distributed, and production in various fields can develop in a coordinated manner. Establishment of township industrial enterprises on the outskirt areas, in particular areas within the city proper, should be strictly controlled. Enterprises with funds and technologies in outskirt areas may move to outer suburbs to carry out joint operation. This year, the total income of township enterprises will exceed 6 billion yuan, an increase of 16 percent over last year.

Effective measures should be adopted to gradually change the faces of the 37 poverty-stricken villages in mountainous areas. All trades and professions, and all relevant districts and counties throughout the municipality should conscientiously implement the relevant resolutions and various policies and regulations of the municipal People's Congress Standing Committee and government, support their production and construction in a planned manner and according to established priorities with funds, materials and technology, and solve the current practical problems in drinking water supply, transportation, and afforestation as soon as possible. All poor villages should carry forward the spirit of self-reliance and arduous struggle, rely on their own efforts, and make the best use of their local resources to develop production, improve their living standards, and gradually change their poverty situation.

2. Industrial Production Should Be Focused on Improving Product Quality and Economic Results, and Should Be Increased in a Sustained and Stable Manner

According to the arrangements of the draft plan, 2.22 million tons of rolled steel, 8.89 million tons of coal, 2.59 million tons of cement, 56,000 vehicles, 800,000 television sets (including 400,000 color sets), 210,000 refrigerators, and 700,000 washing machines will be produced. The railway freight volume will reach 29 to 29.4 million tons, the road freight volume will reach 43.78 million tons, and the passenger volume of urban public transportation facilities will reach 3.28 billion people. The taxes and profits realized by industrial enterprises will increase by 6 percent, the per-capita productivity will rise by 5.5 percent, the energy consumption for per 10,000 yuan of industrial output value will drop by 5 percent, water consumption will drop by 6.5 percent, the steady improvement rate of product quality will maintain 90 percent, and the turnover of fixed-quota circulating funds will be speeded up by 3 percent.

The industrial departments should place their work of upgrading the quality of products and lowering the consumption of fuel, motive power, and raw materials on their important schedule. Efforts should be made to uphold the principle of regarding the work of improving product quality as a primary task and to earnestly implement the "provisions" published by the State Council with regard to enforcing the responsibility systems in improving industrial product quality. We should also enhance the management over 130 large plants that have consumed excess volume of power and 260 large plants that have consumed excess volume of water. The enterprises should conduct fixed-quota management over various consumptions, particularly over the consumption of energy resources and water. Efforts should be made to enforce the measure of progressively increasing the water and electric charges of those that have surpassed the fixed consumption quota. In distributing energy resources, water, and raw materials, efforts should be made to ensure the production of key enterprises, export commodities, fine-quality products, and products turned out with advanced technology in order to pledge to fulfill the mandatory plan and the plan for turning out products to readjust markets. We should restrict the production of commodities that are low in quality and high in prices, enjoy slow sales, and consume large volume of energy resources and raw materials. We should also prevent the trend of not stressing economic results and of seeking output value and productive speed lopsidedly.

The industrial enterprises should further readjust product structure and make efforts to develop export commodities that can earn large volume of foreign exchanges and products that are fine in quality, in short supply on markets, and enjoy brisk sales. Efforts should be made to vigorously improve the quality and function of old products, to upgrade the standard of products, to promote product improvement and renewal, and to continuously increase the variety of new products. We should pay attention at all times to the changes of market demands and accelerate the pace of developing, studying, and manufacturing new products in order to continuously reinforce the ability of enterprises to meet an emergency. In 1986, we will develop 300 fine-quality products at or above the municipal level and will complete the trial-manufacture of 2,000 products, of which 1,000 trial-products will be put into production. We will enforce the encouragement policy among the enterprises that turn out fine-quality products, export products earning foreign exchanges, products in short supply in markets; and will give them preferential treatment in loans, transportation, prices, and tax drawback. We will not suspend or reduce at will the production of minor commodities needed by the people's livelihood and should give preferential treatment to such production in raw material supply and in economic policies.

Efforts should be made to enhance technical renovations among the enterprises and to follow the road of expanding reproduction with the work emphasis of tapping latent power. A good job should be done in conducting the work of digesting imported technology, creating something new from it, and of turning out domestic technology by having the 34 large and middle-sized backbone enterprises covered by the state plan and 23 enterprises that have assumed the task of earning foreign exchanges by exports imitate it. Efforts should be made to vigorously increase investment results in order to pledge to complete the technical renovations of the state 17 key projects and the 130 municipal projects and to put all projects into production in line with the plan.

3. We Should Realistically Make Good Arrangements for Capital Market Supplies in Order To Vigorously Meet the Increasing Need of the People's Livelihood.

In line with the arrangement set forth by the draft plan, the total retail sales of the municipal will reach 14.5 billion yuan, a 13.7 percent increase over the 1985 figure. In order to meet the need of improving the people's livelihood, the industrial departments should assuredly fulfill the plans for turning out 40 commodities that enjoy brisk sales and in short supply and 60 minor daily commodities and for supplying commodities. The agricultural production departments should vigorously increase the output of farm and sideline products and earnestly implement the contract system of fixed-quota grain purchase. The commercial departments should continuously conduct reforms in circulation systems and open the gate of the capital in order to organize commodity sources in a multiple way and to further enliven commodity circulation. Efforts should be made to vigorously establish transregional and transdepartmental lateral economic associations; to consolidate the existing channels of commodity sources through joint-venture business, joint-sale operation, and technical coordination; and to develop new commodity bases. The state commercial enterprises should grasp a large volume of commodities in short supply and the important consumer goods, and actively join in the operation of regulating markets. In order to improve the supply of vegetables closely related to the people's livelihood, the agricultural and commercial departments should make concerted efforts in conducting vegetable production and supply in a balance way; ensure the inner suburbs to provide 575,000 tons (1.15 billion jin) of vegetables, outer suburbs to provide 100,000 tons (200 million jin) of vegetables, and outside cities to sell 200,000 tons (400 million jin) of vegetables to the municipality; and should urge the state commercial departments to grasp the major vegetable sources and to play a guiding role in order to ensure vegetable supplies, to maintain stable prices, and to achieve lower price trend.

We should continue to exert vigorous efforts to develop industries directly related to the people's livelihood, including the commercial, catering, service, and repair industries. We should continue to implement the principle of encouraging the state, collective, and private enterprises to participate in the work and urban and rural areas to grasp the work, conscientiously implement the various policies and measures set forth in the Document No 1 issued by the municipal CPC Committee, extensively mobilize the enthusiasm from all quarters, ensure that this year's new service units will increase by 15,000, strive to rationally distribute these units, and develop a group of markets and wholesale markets for farm products. We should further strengthen management over the commercial, catering, service, and repair trades, reduce circulation expenses, and raise economic results. We should also vigorously promote the practice of treating customers politely and doing business in a civilized manner, realistically improve service attitude, and raise service quality. At present, we should adopt measures to resolutely check the unhealthy trend of tie-in selling that harms the interests of the consumers.

4. We Should Vigorously Develop Foreign Trade and Tourism and Increase Foreign Exchange Earnings

Under the draft plan, the foreign exchange earnings from foreign trade should reach $645 million, and that from tourism $400 million (with plans to receive 1.2 million tourists), showing an increase respectively over last year.

The industrial, agricultural, and foreign trade departments should closely cooperate with one another, provide more quality and competitive export commodities of low prices, and start establishing a stable export production system. We should strive to expand the export of industrial goods, particularly the export of machinery and electronics products. Enterprises producing export commodities should resolutely implement the various economic policies of the State Council and the municipal government that encourage exports. Foreign trade enterprises should promote the economic contract responsibility system, improve the methods of giving awards and punishment, and further spark the enthusiasm of workers in operation. If contradictions between sales on the domestic and foreign markets arise, we should reduce the quantity of commodities for domestic markets, except for those that are related to the livelihood of the people, in order to ensure export. We should promote the sales of export products, continue to open up new world markets, establish and improve market networks, and pay attention to establishing some service centers in foreign countries on a trial basis.

The transaction of technological import is planned to be $100 million, which should be mainly on the technological transformation of enterprises producing export production and on the domesticization of key products. We should pay attention to implementing the contracts on 203 technological import projects that have already been signed and carrying out some supporting work.

The building of tourist facilities should be vigorously strengthened. Under the plan, we should increase some 3,000 hotel rooms for foreigners. The civil aviation and railway sectors should tap potentials and strive to increase the capacity for passenger transport. We should speed up the establishment of tourist spots and the building of the under construction projects, including Shihua cavern, Yunju temple, Shidu, Tuanhe imperial palace for short stays, Shijingshan amusement park, and the Changcheng museum in [name indistinct], start building the second-phase supporting project of repairing the Great Wall in Mutian Valley, and the new scenic spots along Guangou. Meanwhile, we should develop a series of commodities for tourists and train tourist personnel in order to raise the comprehensive tourist reception capacity and the service level.

5. We Should Conscientiously Implement the Decision of the Central Authorities on Reforming the Scientific, Technological, and Educational Systems, and Develop Scientific, Educational, Cultural, Public Health, and Sports Undertakings

We should continue to reform the scientific research structure, strengthen management over spadework, establish and improve all responsibility systems.

Further efforts should be made to display the scientific and technological superiority of the capital, encourage lateral cooperation among the scientific research departments, and between the research and production departments, display the role of technological markets, promote the transfer of scientific research findings to the production sphere, and organize scientific and technical workers to tackle the technical problems concerning economic construction and social development. Meanwhile, we should pay attention to developing new and high technology. Major areas of this year's scientific research plan include: 1) Development of new technologies and new materials; 2) successful popularization and application of computers, and improvement of the quality of efficiency of managerial work; 3) development of a number of scientific research projects which yield better and faster returns with concentrated efforts, and turning them into productive forces rapidly; and 4) development of a number of soft scientific projects to provide scientific data for the strategies of Beijing's economic, social, and scientific and technological development. This year, we should grasp well 81 projects covered by the municipal-level scientific and technological plan and, in particular, concentrate efforts on and make a success of the 14 coordinated technological research projects, such as water conservation, development of lean-meet hogs and milk industry, and development of fire alarm systems. We should organize the implementation of our municipality's "spark plan," widely apply the 10 coordinated technologies, and set up 30 model township enterprises which have their own characteristics.

In education, we should conscientiously implement the principle of comprehensive moral, intellectual and aesthetic education, and physical culture, and strive to improve the quality of instruction. According to the arrangements of the draft plan, this year municipal ordinary higher educational institutions will enroll 9,455 students, secondary specialized schools 10,000 students, ordinary senior middle schools 30,000 students, vocational senior middle schools 10,000 students, and skilled worker schools 7,500 students. We should further rationalize the educational structure, provide more favorabel conditions for running schools, and fully arouse the initiative of all quarters to run schools of various specifications at various levels with various measures. We should intensify the training of teachers, and accelerate the construction of teachers' training institutions. We should earnestly pay attention to the 9-year compulsory education, continue to restructure the secondary education, develop vocational and technical education, and, at the same time, do a good job in encouraging junior middle school graduates to enroll in schools other than ordinary senior middle schools. We should develop various types of adult higher education and secondary specialized education steadily, and make sure that their scopes are appropriate; their specialities suit the needs; and their quality is good. Ordinary higher education should be developed steadily in the course of reform, its quality should be emphasized, its structure of specialties and level of schooling should be readjusted, and enrollment should be conducted in strict accordance with state plan. Job distribution for college graduates should be further reformed so that they can be used rationally. We should organize and mobilize forces from all quarters of society to run nurseries and kindergartens well, and enable more children to attend preschools.

During the Seventh 5-Year Plan period, the number of primary school students will reach a peak, and school buildings and teachers will be in serious shortage.

The municipal CPC Committee and government attach great importance to this, and have ordered relevant departments to work out ways to solve this problem. After study, it has been decided that the unified construction of small-scale school buildings should be expedited in addition to making the best use of the existing school buildings, and increasing the number of students per class. The municipality as well as all districts should allocate special funds for the primary schools whose buildings are old and shabby but can be repaired to renovate and expand their buildings, and primary school buildings occupied by noneducational departments should be returned within a definite time. The above-mentioned measures should be fulfilled mainly by districts, which will be actively coordinated by relevant municipal departments. It is anticipated that the serious shortage of school buildings can practically be alleviated through hard work. Corresponding measures are also being carried out one by one to stabilize the teachers' contingents of primary and middle schools, expand the supply of teachers, and improve their competence.

We should continue to implement the various measures of the municipal government for educational development, and encourage the entire society to show concern for and support education, in particular the education in mountainous areas. The education funds will increase by 13.4 percent over last year, which is higher than the increase in revenue.

In health work, we should conscientiously do a good job in the prevention and treatment of contagious diseases, strengthen the supervision over good sanitation, attend to child care and immunity, improve the responsibility system for maternity care, perfect the urban and rural three-level prevention and protection network, and combine Chinese traditional medicine with Western medicine more successfully. We should continue to strengthen the construction of medical facilities. The plan arranges that the number of sickbeds will increase by 1,100 throughout the municipality, and family-based sickbeds should also be increased. We should intensify the training of specialized health workers, and concentrate efforts to run successfully the Shoudu Medical College, the Chinese traditional medical and pharmaceutical college, and a number of health and nurse schools. We should improve service attitude, and upgrade the quality of medical care.

We should continuously bring the population growth under control. By no means should we relax our vigilance in conducting family planning work. The municipality plans to achieve a natural population growth rate of 9 per thousand, to further bring under control the mechanical growth of population, and to maintain less than 9.71 million permanent residents by the end of 1986.

We should continuously do a good job in grasping undertakings in the fields of culture, physical culture and sports, broadcasting, and publication and in enhancing the building of cultural halls and libraries in districts and counties, with efforts to build 10 cultural halls and libraries in these localities. The publishing and printing industries should accelerate their pace in conducting technical renovations. In the field of physical culture and sports, efforts should be made to pay attention to or strengthen sports development among middle and primary schools, to conduct the work to develop spare-time sports schools, and, on the basis of extensively carrying out mass sports activities, to continuously upgrade the standard of the outstanding sports teams. We should uphold social benefit as a highest guiding principle in conducting radio and television station on a trial basis in the latter half of this year. Efforts should be made to continuously restore the places of cultural and historical interest, such as Dazhong temple, Wanshou temple, Shisan tomb, Xiannong temple, and Taishui temple, and to step up building the monument for the martyrs of the war of resistance against Japan.

6. We Should Enhance Environmental Construction and Do a Good Job in Greening, Beautifying, and Purifying the Capital

The municipal government has made special arrangements for the 1986 work of environmental protection and decided to successfully carry out 12 practical deeds for the people. Efforts should be made to implement the principle of consolidating public security in a comprehensive way in specific districts and to concentrate on controlling water pollution and pollution caused by gas, garbage, and noise. The major projects of comprehensive consolidation include the repair of the West Changan street area and the Beijing stadium area and the controlling of the water channels along the Yongding He, the polluted section of the Hucheng He at Sibian Gate, and the Yudai He in Tongxian County. The municipality also plans to build eight small beautiful residential areas, including the Sanlihe District in the west suburb, the eastern Taintan District, and the eastern Qingnianhu District; to develop 1.2 million square meters of heating supply network; to deal with 70 pollution sources, including plants (workshops) that have seriously interfered with the people's livelihood; and to build sewage treatment plants among the 15 hospitals. We will have Miyun County take up the pilot work of protecting the ecological balance and potable water sources. Efforts should be made to control the pollution caused by motor vehicle gas and noise, to prevent tractors from going through the areas around the Sanhuan road, and to set up additional automatic stations in charge of surveying or supervising the gas pollution from the Capital Iron and Steel Company and the Yanjing Chemical Plant.

In greening the city, the municipality plans to plant 300,000 mu of trees; to plant 15 million trees around houses and along rivers, roads, and ditches; to plant 1.2 million trees in urban areas; to lay 1 million square meters of lawn; and to plant 250,000 flowers along the urban main streets. Districts and counties should make efforts to build parks, to green their roads and small residential areas, and to build a large number of garden-style villages. A good job should be done in formulating the plans for greening the highways between Beijing and Miyun County and between Beijing and Zhoukoudian and for building the green belt along the outer suburbs, and in beginning to green some areas and sections in line with the plans.

7. We Should Bring Under Strict Control the Scope of Capital Construction and Ensure the Construction of Key Projects

During the first 2 years of the Seventh 5-Year Plan period, the municipality will maintain the standard of investment in fixed assets that was scored in 1985.

The 1986 municipal principle for making arrangements for local capital construction is to ensure the projects that can be completed within the year; to make arrangements, to the greatest extent possible, for the continuous projects having the necessary conditions; and to bring under strict control the new construction projects.

In line with the state investment in capital construction among the local public-owned units in the municipality and the investment in capital construction of the collective-owned units, and in line with the investment not covered by state restriction, the municipality plans to generally maintain in its draft plan for the scope of investment in capital construction the standard that was scored in 1985.

The arrangement for investment in some major local departments should be as follows:

We should continue to place the construction of the urban infrastructure above all other construction projects and the planned investment in this field should account for more than a half of the capital construction investment arranged by the municipality's local financial department. Such investment should be used mainly for building water and gas supply projects and roads in the urban areas. Regarding the water supply, we should complete the reconstruction projects of the Chengzi water works and the Beiwu water pumping station, start building the No 9 Shuiyuan water works, and tap the potential of the No 8 Shuiyuan water works. As regards the gas supply, we should mainly build natural gas supply, storage, and pressure regulation stations; grasp the projects of moving and overhauling the furnaces of the coking plant in order to increase gas supply; and strive to equip the plant with over-type furnaces by the end of the year. Furthermore, we should fulfill the task of laying gas pipes and installing gas stoves for 60,000 households, and basically complete the construction of the gas tank plant. Concerning heating supply, we should complete the second-phase construction of the Zuojiazhuang heating supply plant and start building spike boilers [jianfeng guolu 1423 1496 6938 3619] of the No 2 heating supply plant. In road construction, we should complete the construction of Yuquanshan road, Dongzhimenwai Street, the northern section of Anzhen road, Majiabao road, and the Dabeiyao overpass; begin the construction of Dongwaierhuan road (the section from Dongbianmen to Puhuangyu) and the supporting overpass project; and start improving and broadening Dongnansanhuan road (from Shuangjing to Muxiyuan). The municipal road maintenance department should also use the road maintenance funds to build part of the road sections of Jingshi road and Jingyu road, and the second-phase construction of Badaling road. In environmental hygiene, we should mainly arrange for the construction of seven garbage disposal yards. Proper arrangements should also be made for environmental protection, landscaping and afforestation, water conservation, and flood prevention, public transportation, car purchases, and the dismantling of houses to make room for urban construction projects. In addition, we should also coordinate with the post and telecommunications departments in fulfilling the plan for installing 60,000 telephone lines in the urban areas.

Under the plan, the educational department should complete the construction of the laboratory building land the student cafeteria of Beijing Engineering University, the library of the Agricultural Institute, and the school building of the No 2 branch of the People's University; continue the construction of the laboratory building of the teacher's training institute, the library of the economic institute, and the school building of the radio and television university; grasp the renovation and expansion projects of more than 20 primary and middle schools, including the No 4 Beijing middle school; and begin the construction of the Xizang middle school and Jingshan school.

The public health department should complete the construction of Longfu, Diliu, Xiaozhuang, and Guanzhuang hospitals and the municipal emergency center; continue the construction of Taintan, Huimin, Shijingshan hospitals; and start expanding Youyi, Ertong, and Tongren hospitals.

The scientific research, cultural, and sports departments should mainly build the Xiannongtan track and field stadium, the educational television station, the second-phase construction of a radio station, the printing plant of Beijing Ribao, warehouses for cultural relics, the laboratory building of the New Technology Institute, scientific and technological centers, and institutes for scientific and technical personnel to further their study.

Under the plan, the financial and trade departments should complete the construction of the Hepingli department store; build Qijiayuan commercial building, Dongsi people's market, Fuchengmen vegetable market, Fuxingmenwai comprehensive commercial center, and a few medium-sized commercial centers; continue the construction of a feed processing plant, the No 2 bean product plant, the Liubiju preserved vegetables plant, two meat cooperative plants in Haidian and Tongxian counties, vegetable storage facilities, and grain depots; and complete the construction of a group of support projects of the commercial units and the renovation of some houses and shops. As for hotels, we should mainly build seven joint-venture hotels, including the guest house attached to Beijing hotel and Heping guest house, and 23 hotels of average standard. Under the plan, we should complete the construction of some 5,000 guest rooms, 244 apartments, and 30 office buildings.

The political and legal departments should mainly build police academies, traffic command centers, social welfare institutes, child welfare institutes, hospitals for mental patients, and archives for courts.

The agricultural, forestry, and water conservancy departments should complete the construction of the Shisanling water diversion project and Yongding floor-control sluice gate, and establish Huadu meat cooperative plant, a dairy product processing plant, and a comprehensive commercial center for aquatic products.

The industrial departments should mainly build the Huadu brewery, Dongjia grape wine plant, refrigeration compressor plant, woolen silver plant, Yanshan cement plant, and other industrial projects that suit the characteristics of the capital.

In housing construction, construction of 6.7 million square meters has been locally arranged, of which most will be built with the funds collected by the user units themselves, and the rest is covered by construction plans. We plan to complete more than 2 million square meters, including 100,000 square meters of housing for primary and iddle school teachers, and 20,000 square meters for veteran cadres. In addition, special funds have been arranged for housing for retired army cadres, for the houses used in implementing the private house policy, and for renovating simple buildings.

After repeated study, the municipal government held that the above-mentioned arrangements conform to the state's demand for strictly controlling investment scale and also take the urgent needs of various fields into consideration. However, the construction scale is not small, and therefore construction forces will be very strained, building materials will fall short, and great efforts will be needed in completing the construction.

Construction projects should be properly arranged so that the scale of investment can be brought under control. Comprehensive balancing and rational arrangements should be conducted in line with the needs of the municipality and the possibility of local financial and material resources. All departments and units should take the overall situation into account, refrain from vying for more projects under construction, and pay close attention to their construction speed so that these projects can be completed and commissioned at an early date and yield results as soon as possible.

In order to ensure that this year's local capital construction scale is kept within the state-assigned quotas, we should adopt the following measures:

1) We should straighten things out with regard to the projects under construction. Projects that are not provided with necessary construction conditions and yield poor economic benefits should be suspended or postponed in order to guarantee the construction of necessary key projects.

2) We should bring new projects under strict control. Except for those with special approval, no projects should be started in principle. According to state stipulations, large and medium-sized projects should obtain the approval of the State Planning Commission before they can be started. No district, county or bureau (general company) is permitted to overstep its authority to examine and approve construction projects, nor is it permitted to exceed the investment scale set by higher levels. With regard to the projects that are examined and approved by the units which overstep their authority, relevant departments should not handle their planning, designing, and land requisition procedures, and should not issue construction licenses, and banks should not issue funds to them.

3) We should strengthen management of the capital construction funds raised by units themselves. Such funds should be examined by financial departments first to verify that they are collected through proper channels according to regulations, and should be deposited in construction banks for at least 6 months before they can be used. Bank loans and credit investment must not be regarded as self-raised funds. If the money deposited in banks is not sufficient, the planned investment quotas should be reduced accordingly. Funds deposited in other banks must not be used in capital construction.

4) We should go through all capital construction procedures when carrying out all capital construction projects. We should establish a strict system to

appraise projects. With regard to new projects, the reports on the feasibility study should be examined and appraised by consultation units entrusted by the municipal planning commission, and then examined and approved by the Municipal Planning Commission itself after it conducts comprehensive balancing. Only after this can we cover the new projects in our construction plans.

5) We should adopt the method of "investment responsibility." Projects provided with the conditions for adopting this method must not be started before the responsibility for their investment is fixed. Construction units should carry out conscientious consolidation, strive to improve the quality of construction, shorten the construction period, and must not ask the development units for any funds not related to the projects. In addition, the method of signing contracts to fix the amount of wages for every 100 yuan's worth of finished work should be improved. Designing units should strive to raise the quality of designing, actively serve consumers, and collect the designing charges in strict accordance with the regulations of the State Planning Commission.

8. We Should Strengthen and Improve the Macroeconomic Control, and Do a Good Job in Voerall Balancing

When strengthening and improving the macroeconomic control this year, we should carry out the following work successfully in addition to strictly controlling the investment in fixed assets and readjusting the investment pattern.

1) Efforts should be made to continuously bring under control the excess increase in consumer funds and to further enhance management over funds for urban staff members' and workers wages. We will no longer be able to increase the sum bearing a balance between the total wages of staff members and workers, and the total profits and taxes handed over by the enterprises. No unit is allowed to establish new allowances and other subsidies by using funds for rewards. Efforts should be made to strictly follow the state provisions in collecting taxes, giving rewards, or regulating wages from the state enterprises, establishments, and units. We should carry out consolidation and examination of the scale and total sum of tax reduction and exemption among the collective-owned and township- and town-run enterprises. Efforts should be made to resolutely curtail the institutional purchase power of organs, enterprises, establishments, and units and to strictly oppose extravagance and waste.

2) Efforts should be made to bring under strict control the scale of credits. The 1986 state plan for local credits shows a small increase over the 1985 target. Doing a good job in making use of these funds has a vital bearing on supporting industrial and agricultural production and enlivening commodity circulation. Banking units should make efforts to attract the people's deposits and to expand fund sources. Efforts should be made to actively set up centers and networks in charge of having the people open saving accounts and to encourage organs, organizations, enterprises, and units to accept deposits. In releasing circulation funds and loans, banks should deal with each case on merit, give support to those outstanding ones, and should readjust the fund surpluses and shortages in a timely manner. Specialized banks should subordinate their orientation and scale of loans for investment in fixed assets to

the state macroeconomic policy decisions; bring their loans not only in line with the state credit plan, but also with the plan for investment in fixed assets; and should by no means use loans for projects not covered by the plan. Efforts should be made to improve the accounting work of banks and to make things convenient for clients in order to accelerate fund circulation.

3) Efforts should be made to enhance the maintenance of the comprehensive balance among material sources and to do a good job in conducting the work of distributing materials. The 1986 state material distribution to local units generally maintains the standard scored over the past 2 years, and the supply of major materials for both production and construction is still short. Therefore, the municipal departments in charge of this work should adopt various ways and means to organize local material sources. In conducting distribution, we should first fulfill the demands of production covered by the mandatory plans and of the key construction projects, make preferential arrangements in raw material supply for the enterprises producing export commodities and products in short market supply, and should deal with other distributions chiefly through regulating markets. Production enterprises must ensure the fulfillment of the municipal plan for readjusting material supply volume and will not be allowed to conduct self-sales if they fail to fulfill the plan or the target set forth by the plan. Efforts should be made to conduct coordination in material supply and to exchange materials. Meanwhile, we should raise funds for building raw material supply bases among the areas endowed with abundant natural resources in order to further expand material sources. A good job should be done in continuously recovering or utilizing metal waste and resolutely fulfilling the task of handing over metal waste to the governments.

4) Efforts should be made to enhance management over foreign exchange. We should conduct centralized management over foreign exchange, conduct careful calculation, and should practice economy in using foreign exchange in line with the target set forth by the state. The areas with dense populations should use their retained foreign exchange chiefly for purchasing equipment and appliances urgently need by the departments of science, education, culture, and public health and for purchasing foreign raw materials needed for both production and construction. Efforts should be made to carry out strict approval for sending observation delegations abroad. A good job should be done in realistically adjusting the usage of foreign exchange in the municipality. In applying foreign loans, we should uphold the principle of paying back loans by those who have borrowed the loans, and earnestly pay attention to the domestic fund association and the domestic compensatory capability. It is imperative for us to follow the procedure of approval for applying for foreign loans and to control the sum within the fixed quota. No department or unit is allowed to sign a loan contract arbitrarily without approval.

5) Efforts should be made to enhance or improve the work to bring about harmony among macroeconomic management; to vigorously enhance the work undertaken by the comprehensive departments in planning affairs, financial affairs, tax affairs, banking affairs, audit affairs, statistical affairs, material supply, labor wages, and industrial and commercial administration; to establish the joint meeting system among these comprehensive departments; to better bring into play the function of the comprehensive economic administrative departments in bringing about harmony among macroeconomic management; and to fully apply

the measures for economic adjustment and supervision in order to ensure the fulfillment of the plan.

9. Conscientious Efforts Should Be Made To Carry Out This Year's Structural Reform Successfully

This year we should emphasize the following work:

1) We should continue the price and wage reforms.

Last year, substantial progress was achieved in price reform, and the results were better than expected. Although mistakes once appeared soon after the vegetable prices were decontrolled, progress was smooth in general. This year, no major measures for price reform will be put forth. However, the task to maintain basic stability in commodity prices remains very arduous. With regard to some destabilizing factors, we must never take them lightly. The key to controlling the overheated rises in commodity prices lies in stabilizing vegetable prices. The municipal government has made special study and arrangements. Agricultural and commercial departments should exert concerted efforts, further implement the various policies and measures encouraging vegetable fields are not misused, reform the vegetable production and marketing management system, develop straight-line circulation, and strive to reduce vegetable prices while maintaining their stability.

The wage reform of organs and institutions should be continued this year, and the system of designation for specialized and technical posts should also be gradually applied. After the coordinated reform of their wages, enterprises should adopt effective measures to further eliminate egalitarianism, and persistently carry out and improve their economic responsibility system to boost the enthusiasm of their cadres, and staff members and workers. In the meantime, we should conduct investigations on the problem of inordinately large differences between the wages of different members of society, and work out ways to solve this in line with the policies and regulations of the central authorities.

2) We should further invigorate enterprises, especially large and medium-sized ones, and enhance their capacity for transformation and development. We should follow the arrangements of the State Council to reduce in a planned manner the regulatory taxes from the large and medium-sized enterprises with heavy technical transformation tasks and high regulatory tax rates, and gradually raise their fixed asset depreciation rate. We should conduct an overall inspection on the implementation of the "Interim Regulations on Further Expanding the Decisionmaking Power of State Enterprises" issued by the State Council in 1984, and the municipal government's various policies on invigorating enterprises, conscientiously solve the problems existing in expanding the decisionmaking power, and truly delegate to the enterprises the power they are entitled to. We should firmly enforce the various forms of the economic responsibility system of having directors (managers) assume full responsibility and the personal production responsibility system of industrial enterprises, the operational responsibility system of foreign trade departments, the contract and leasing systems of small enterprises and the bidding system, and the method of

signing contracts to fix the amount of wages for every 100 yuan's worth of finished work enforced by construction enterprises, we should conscientiously improve them in line with the state's relevant regulations in order to solve the existing problems. The various forms of responsibility systems applied in the rural areas and other departments should also be carried out persistently and further improved and developed in the course of practice.

3) We should vigorously develop lateral economic cooperation. It is necessary to conscientiously implement the guidelines of the national economic structural reform work conference and the 30 regulations of the State Council on promoting lateral economic cooperation, formulate supplementary regulations and detailed rules for implementation in line with the situation in the municipality, and develop lateral economic cooperation in a planned and purposeful manner. First, we should actively organize lateral economic cooperation between the urban and rural areas and among various trades and departments and organize enterprises and economic associations through transferring the manufacturing of products to other localities, cooperatively developing plants, and establishing ties between the producers and traders and on the basis of voluntary participation, equality, and mutual benefits. Second, we should develop lateral economic ties with neighboring localities and increase the supply of nonstaple foodstuffs in the capital. Third, we should develop lateral economic ooperation with localities with rich natural resources in order to establish stable raw material supply bases for the industry of Beijing Municipality. Fourth, we should display the scientific and technological superiority of the capital, continue to [words indistinct] with various provinces, with various provinces, autonomous regions, and municipalities, and continue to do a good job in supporting their counterparts. Fifth, we should continue to adopt preferential policies, and welcome the fraternal provinces, autonomous regions, and municipal [word indistinct] to Beijing to jointly and independently run this tertiary industry that serves the people's livelihood.

4) We should continue to improve the planning and management system and strengthen management over the mandatory and guidance plans. In line with state demands, local authorities and departments should appropriately reduce the number of mandatory plans. We should properly balance and coordinate the production conditions for the mandatory plans. Enterprises undertaking the allocation tasks of those products subject to the mandatory plans should receive the order of goods in accordance with the plan and organize production according to the required varieties and patterns. Enterprises that cannot fulfill the contracts for ordering goods in line with the state plan will receive relatively fewer material allocations. We should strive to strengthen management over the guidance plan. The comprehensive economic departments should not only strengthen control over the macroeconomy but should also help enterprises vitalize the economy, fully use the economic levers, and lead them in fulfilling their tasks.

Fellow deputies,

The current political and economic situations of our municipality are very good. The scope of investment in fixed assets has been controlled in line with the state plan, and the growth rate of consumption funds has become normal. Markets are stable, the price index declines monthly, and foreign export trade has witnessed an upward trend, showing a fairly large increase over the same period of last year. The agricultural production situation is good, production of nonstaple foodstuffs continues to growth, and the development of township enterprises is quite rapid. Financial revenue and expenditure as well as bank loans and credits are normal. Urban and rural savings deposits have increased by a large margin, and the withdrawal of currency has exceeded that of the corresponding period of last year. Through adopting effective measures, industrial production has increased steadily. Although we still have many difficulties lying ahead of us and some problems which we must conscientiously overcome and solve, we are convinced that so long as the people throughout the municipality work in the unity under the encouragement of the guidelines of the Fourth Session of the Sixth NPC, persist in reform, and work diligently and in a down-to-earth manner, we will surely fulfill or overfulfill various tasks set forth in the draft plan for 1986 economic and social development, and make a good beginning for the implementation of the Seventh 5-Year Plan.

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PROVINCIAL AFFAIRS

JIANGXI'S WAN SHAOFEN ANALYZES ECONOMIC SITUATION

OW270237 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 23 Ma

[Excerpts] The provincial party committee held a meeting of prefectural and city party secretaries and commissioners and mayors from 12 to 17 to analyze Jiangxi's political and economic situation since the beginning of this year and make arrangements for future work. All localities were called upon to pay closer attention to the economic work and reform, build up leading bodies ideologically and organizationally with an aim to improving party style, and exert maximum efforts and devotion to score greater successes in the work of all fields this year.

Attending the meeting were prefectural and city party secretaries and commissioners and mayors, responsible comrades of the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress, the provincial government, the CPPCC provincial committee, and members of the CPC Central Committee, the Central Advisory Commission, and the Central Discipline Inspection Commission in Nanchang, as well as officials from provincial departments, commissions, offices, and bureaus concerned. In all some 140 people attended.

The meeting transmitted the central authorities' relevant documents and Comrade Hu Yaobang's recent important speeches. On the basis of studying these documents and speeches, responsible comrades from all prefectures and cities discussed views, measures, and suggestion related to the meeting's subjects.

Deputy secretary of the provincial party committee Liu Fangren, deputy secretary and Governor Ni Xiance, and deputy secretary Xu Qin respectively spoke on party building, the economic work, and rural work. Secretary of the provincial Discipline Inspection Commission Zhu Zhihong and vice governor (Sun Xianye) spoke on the strengthening of discipline inspection work and on circulation and the investment scale on capital construction respectively. Comrades Bai Dongcai, member of the Central Advisory Commission, and Zhao Zengyi, chairman of the provincial Advisory Commission, also spoke.

On behalf of the provincial CPC Standing Committee, Secretary Wan Shaofen gave a summary on the afternoon of 17 May. Analyzing the economic situation, Comrade Wan Shaofen noted that Jiangxi's economic situation in the past 4 months or so has been good. Industrial production has advanced at a relatively fast pace with a total output value topping the same period last year by 9.6 percent and ranking third among all provinces, municipalities, and autonomous regions in the country. The situation in agriculture has also been good, with all localities paying greater attention to grain production, building more irrigation works, appropriating more funds for agriculture, making earlier preparations for spring farming, planting larger areas of crops with fine seeds and strains, and exerting greater efforts at diversified management than last year. However, pressing problems that merit our keen attention remain. In industry, we see, first of all, a sluggish trend in the growth rate and, second, a decline in economic efficiency, inconsistent product quality, and a slowdown in the circulation of funds. In agriculture, problems are reflected in clogged circulation and poor service before, during, and after production. Besides, we have also failed to make adequate preparations ideologically and in materials regarding possible natural disasters this year. These problems have been caused by relaxing vigilance in our subjective thinking and objective factors such as shortages in electrical power supply, raw and semifinished materials, and funds.

After analyzing the economic situation, Comrade Wan Shaofen emphatically pointed out: As this year is the first year of the Seventh 5-Year Plan, we face an arduous task in the next 7 months or so. In the first 4 months, we have only fulfilled 27.3 percent of the targeted annual industrial output value, and are lagging quite behind the plan. We must face up to this grim reality, and motivate ourselves to reform persistently with one heart and one mind and to maximum efforts to overcome difficulties in order to pick up the growth rate in May and achieve a big increase in June to ensure the midpoint plan fulfillment and the complete fulfillment and overfulfillment of the annual plan.

In order to carry out the task, Wan Shaofen put forth the following four requirements for industry:

First, all localities, departments, and enterprises should realistically analyze the current production situation and take active and effective countermeasures by intensifying ideological and political work among enterprise cadres and workers, earnestly implementing the economic responsibility system, tapping potentials, and closely coordinating with power, banking, material, and railway departments in alleviating the current widespread strains on transportation and shortages of power supply, circulating funds, and raw and semifinished materials.

Second, it is necessary to successfully carry out reform and improve management in order to invigorate the enterprises.

Third, it is necessary to energetically promote lateral economic ties and absorb talented personnel, technology, funds, and equipment for exploiting Jiangxi's rich natural resources and transforming natural advantages into economic ones.

Fourth, it is necessary to firmly control the scale of investment on fixed assets and ensure the construction of key projects.

Turning to agriculture, Wan Shaofen said: In developing Jiangxi's rural economy, it is necessary to readjust the structure of agricultural production and promote commodity production. While sparing no effort at grain production, it is necessary to promote the rural economy as a whole by exploiting our mountain, river, farm, and mining resources and developing diversified undertakings and village and township enterprises. We should strive to build up our strength in these two fields to ensure a big increase in committees in rural areas and enable the peasants to become better off as quickly as possible. We should also unclog circulation, improve service, enforce contracts on grain purchases, and resolve the existing difficulty in selling hogs and possible problems in selling grains. It is necessary to set up and improve various kinds of service systems for peasants in rural areas.

The second part of Wan Shaofen's speech dealt with the necessity of improving leading bodies. She said: As all quarters throughout the province have paid keen attention to the question of party style, a new situation characterized by all party members endeavoring to improve party style has emerged. We have investigated and handled a number of major and serious cases, thereby enhancing the confidence of cadres and ordinary people in rectifying party style. Through the efforts by all people from the top down to the grass roots, we have basically checked or considerably weakened the unhealthy tendencies of giving extravagant dinners, party and government organs and leading cadres and their children setting up businesses, party members and cadres building houses in violation of discipline, and purchasing or trading expensive cars. There are specific examples of a marked improvement in party style in Jiangxi. The party style of leading bodies at all levels has also been further improved. Of course, problems and difficulties remain. First, the progress has been uneven. Some units with obvious problems have not yet taken action. Second, manifestations of unhealthy tendencies politically and ideologically and in work have not been thoroughly eliminated. We must concentrate our efforts for the next 2 years in earnestly rectifying the party style of leading bodies at and above the county level in accordance with the central authorities' instruction. Leading cadres at all levels should play an exemplary role in teaching their children, relatives, and subordinates.

The third party of Wan Shaofen's speech set specific demands regarding the ideological and political work among talented personnel and implementation of the policy toward intellectuals for consolidating and developing the political stability and unity, the political and judicial work, rural party rectification, production and traffic safety, arrangements for retired veteran cadres, and the study of development strategy, overall plans, and policy decisions.

Wan Shaofen said: The meeting was successful. It is hoped that through the meeting, we will foster healthy practices of assessing things as they are, doing more practical things, seeking concrete results, and stressing actual conditions, and, under the leadership of the CPC Central Committee, pool the wisdom and efforts of all, work with one heart and one mind, enhance unity, and endeavor to score greater successes in the work of all fields and fulfill the targets for this year.

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ISSUES CONCERNING GUANGZHOU'S COOPERATION WITH FOREIGNERS

Guangzhou GUANGZHOU YANJIU (GUANGZHOU STUDIES) in Chinese No 5 Sep-Oct 85 pp 35-37

[Article by Yang Qinquan [2799 293 3123] and Jiang Zhiyuan [3068 0037 3293], Propaganda Department of the Guangzhou Municipal Party Committee: "Some Reflections on the Results of Foreign Economic Cooperation at Guangzhou and on Certain Tactics"]

[Excerpts] Opening up the country to the outside world is China's fundamental policy in the new historical period, in the course of which the question of how to use the form of state capitalism to promote a socialist construction poses undoubtedly a new theoretical problem. A thorough study of this problem will provide the necessary theoretical reference for all parts of the country in their further expansion of opening up to the outside world. The present article attempts to present some humble opinions with regard to the results of foreign economic cooperation at Guangzhou and on some relevant questions of strategy.

II.

In the actual practice of opening up toward the outside world, Guangzhou has been one of the most rapidly progressing cities of the entire country. From the end of 1978 to September 1984, Guangzhou signed 209 joint venture, cooperative ventures, and compensation trade agreements, involving investments totalling U.S.$610 million, of which $220 million of foreign capital have by now actually been used. The cooperative enterprises involved total close to 200. Using foreign capital and self-retained foreign exchange, Guangzhou imported more than 100 production lines, almost 10,000 sets of advanced equipment and a number of advanced technologies. The results of using the form of state capitalism in this manner in order to promote the economic and social development of Guangzhou have become evident in the following respects:

1. The acceleration of technological transformation and technological progress in enterprises which enabled them to attain the international technological standards of the late 1970's and the early 1980's in the production technology of certain products. Examples are such electronic products as minicomputers, microcomputers, electronic calculators, and electronic meters; such electric household appliances as washing machines, refrigerators, electric cookers,

tape recorders, and window air conditioning units; such foodstuffs as beverages in soft containers and fast-food noodles; such knitwear, textile, and plastic products as indigo fast-color woollen cloth, georgette, polyurethane synthetic leather, plastic floor covering, etc. These products fill gaps that existed in national and provincial production, most of them developing into new hot-selling products or top-rating products of Guangzhou.

2. The promotion of tourism. Since opening up in 1979, Guangzhou has used foreign capital to the amount of over $100 million for the construction of new hotels and for the renovation and reconstruction of existing hotels and some restaurants, among the larger ones being the White Swan Hotel, the Great China Hotel and the Park Hotel. For all these newly built or renovated hotels, the most advanced foreign equipment has been imported, some even installing computerized management, with the result that the hotels and restaurants have attained modern international standards, an important factor in attracting large numbers of foreign travelers and in the development of tourism.

3. The increase in commercial installations. By using foreign investments and self-retained foreign exchange, Guangzhou imported sets of advanced equipment and many technologies and built or renovated a number of stores and markets. The Haizhu and several other markets installed refrigerated shelves; more than ten commercial enterprises, among them the Nanfang Mansions, the Friendship Store, the Foreign Ships Supply Co. and the Huaxia Co., installed central air conditioning; among other items that were imported were such articles as computerized eye examination and eyeglass fitting equipment, contact lens fitting equipment, colored photo and developing equipment, and an automatic production line for bean curd, opening up new fields of service and consumption.

4. The promotion of agriculture and animal breeding. The importation of improved specimens of chicken, cattle, pigs and fish, and the simultaneous importation of several types of advanced feeding and animal raising equipment, induced a tendency toward modern mass production among the traditional animal husbandry establishments, and the percentage of marketable products markedly increased.

5. The promotion of new housing constructions. Up to the end of last year, 15 contracts were signed, involving foreign investments of $170 million, for the construction of apartment houses, of which 150,000 sq m have already been completed and taken in use. One part of the new apartments was allocated to foreign businessmen who sold them in Hong Kong, thereby recovering their investments and earning a profit. We on our part gained the following four benefits: (1) The apartments allocated to us were distributed to residents of Guangzhou, which helped to improve living conditions for a part of the population. (2) The state gained additional foreign exchange revenue; the completion of the entire cooperative engineering project can create $23 million. (3) Municipal installations in connection with the apartment houses, such as water and electric power supply, telecommunications, roads, etc. were correspondingly improved. (4) Auxiliary services for the livelihood of the people in the residential areas were newly started up, thereby providing additional employment opportunities.

6. The improvement of educational and health care conditions and in the promotion of scientific and technological research. Following the implementation of the open door policy, overseas Chinese and compatriots in Hong Kong and Macao collected and contributed a total of more than 28 million RMB for the extension or new construction of more than 80 schools. Some contributed funds for the construction of hospitals or the purchase of medical equipment. Some schools now use imported educational equipment for "electrified" instructions. Some hospitals use peritoneoscopes, automated instruments for hemopneumonic analyses, and other advanced medical equipment.

Moreover, owing to the open door policy, an additional 70,000 persons found employment. Many were able to acquire enterprise management skills from the experiences that had been gathered in foreign countries, and a large number of talents could be trained for foreign economic work.

III.

State capitalism under the conditions of the dictatorship of the proletariat is a form of capitalism that allows the state to impose restraints and regulate all activities. Use of foreign capital and importing technologies appears outwardly to be merely a barter of goods against goods, but actually it is also an exchange of persons with persons, and is, therefore, of important significance for a careful and effective handling of personnel. "Policy and tactics are the life of the party," and our policy of opening up the country has already been proven correct in actual practice. But as far as tactics are concerned many specific problems still exist in the course of our cooperation with foreign parties. As one of the earliest cities to practice the open door policy, Guangzhou has gained much insight in this respect, and this includes experiences and also lessons. In summary there are three relationships that must be effectively dealt with:

First, it is necessary to persist justly and forcefully on launching the normal "party, labor union and youth league" activities within the Chinese-foreign cooperative organizations, and to strive for understanding, support and sincere cooperation on the part of the foreign personnel. Personnel of foreign investors as a rule harbor some misgivings regarding such organizations as labor unions, and are even more apprehensive in this respect when they come to socialist China. The foreign personnel of some foreign cooperative enterprises in Guangzhou are afraid that our labor unions will start "labor trouble;" they also distrust our party members, while some party members, when completing the required forms, do not dare reveal their own political standing. However, turning our party from a party in power into an "underground party" will, on the contrary, make matters look mysterious in the eyes of the foreign personnel and easily lead to unnecessary misunderstandings. It will also impede our party members in playing their role of pioneers and models among the masses. In the opposite case, if proper propaganda will clearly explain to the foreigners the tasks and the role of the party within the cooperative enterprises, this will gradually resolve all their unnecessary apprehensions and will help create an overall situation of cheerful cooperation. For instance, there was one cooperative management enterprise where the Chinese personnel intended to use some work time to hold a party and youth league meeting to study more effective ways of working.

After explaining in advance the content and purpose of the meeting to the person in charge on the foreign side and obtaining his understanding and support, it was possible to have all personnel concerned from the various departments punctually attend the meeting. The responsible person on the foreign side cheerfully said: "I too would like to join you, but, unfortunately, I am not a party member." On the day of the meeting it happened that one party member of a certain department had his day off. The foreign manager of that department, however, specially sent someone to the said party member's home to notify him and have him come back to attend the meeting. As "all one's cards were laid on the table," the foreign personnel gained an increased understanding of our party's organization, and all problems could generally be dealt with on the basis of a friendly cooperative attitude. For instance, when the labor union was established, the attitude of the foreigners changed from one of suspicion and fear to one of support, and there was not only willingness to provide office space, also to install two air conditioners and two telephones, but also agreement forthcoming to have the labor union employ four special cadres and to allocate every month 2 percent of the actual amount of all wages for union operating expenses, so that the preparatory work for the establishment of the labor union could be smoothly carried out.

Second, it is necessary on the one hand to nurture a sense of devotion to the cooperative organization among its Chinese personnel, but on the other hand also necessary to have the Chinese workers maintain their class self-respect. Some of the Chinese personnel have the idea that the profits of the capitalists are derived from an exploitation of the workers, that working in a cooperative enterprise is working for the boss, some individuals even come to work singing "da gong zhai" [the worker], a popular Hong Kong ditty. Others even willfully waste or misappropriate enterprise material, considering it as "after all belonging to a capitalist, so that wasting a little or taking a little of it will not matter." Because of the incorrect guiding ideology, many enterprises continuously experience cases of our personnel acting nefariously by violating discipline and regulations, to the great dissatisfaction of the foreign parties. To cope with this situation, it is extremely necessary to strengthen education of our personnel regarding the true situation and regarding our policy. One big difference of the cooperative enterprises as compared with enterprises operated on the system of ownership by the whole people or by the collective is that both sides share in the profits. To be able to import foreign capital, we must of course allow the foreign party to earn legitimate profits. Operating in this manner, the foreign party will be able to earn profits and our side will have the use of foreign capital, learn advanced technologies and managerial methods and speed up the four modernizations. Through education many staff and workers came to understand that by being employed in a joint venture enterprise one still is a member of the Chinese working class, that as such one is also master of the country, and that one is also serving the four modernizations. This realization greatly raised their work enthusiasm.

At the same time as devotion to the cooperative enterprise is being nurtured, attention must be paid to strengthen education to counter corrupting influences; one must seize upon the symptoms of such and promptly take preventive measures. The Hong Kong personnel in a certain Chinese-foreign enterprise used to take some female employees out for merrymaking until late at night. When this became a problem, the party branch at the said enterprise promptly set these female employees right by education and thus helped them raise their consciousness. Paying attention to the creation of strict discipline and a healthy atmosphere in the Chinese-foreign joint enterprises will not only educate our staff and workers to resist corroding influences, but will also influence foreign personnel to change their bad habits and respect discipline and the law. There have been cases of Hong Kong personnel who after joining the cooperative venture gave up gambling and curbed their nighttime activities.

Third, in the same way as it is necessary to ensure the benefits for the foreign party in any cooperation, it is also necessary to protect the rights and interests of the state and the staff and workers. There are some employees in responsible positions on the Chinese side in Chinese-foreign cooperative organizations who owing to their insufficiently enlightened guiding ideologies treat the foreign personnel with the attitude of the state representatives of the joint state-private enterprises of the 1950's, placing the two parties in a position of two antagonistic opposites, which makes it impossible for the foreign party to continue the cooperation. It is therefore necessary to treat all foreign parties most carefully on the principle of equality and mutual benefit, guarantee them the beneficial treatment prescribed in the "Chinese-Foreign Joint Venture Contract Law," however, also to take care not to relinquish one's own principles and to use the joint venture form also as a guarantee for the rights and interests of the state and the staff and workers on the Chinese side. There was, for instance, an assistant manager of the Hong Kong party to a jointly managed enterprise who planned to raise the salary standards for managerial staff of the enterprise to more than 30 times above that of the ordinary staff and workers. The party branch was of the opinion that paying high salaries to managerial staff of the cooperative enterprises would be in order, but not the paying of excessively high salaries, because this would reduce enterprise income and be harmful to the mutual interests of both parties. Later, the assistant manager of the Chinese side took action and persuaded the other side not to do it. Finally, the other party said with deep feeling: It would indeed be a 100 percent failure to completely and mechanically copy the Hong Kong methods of distribution; success can only be achieved by integrating measures with the actual situation in China. An assistant store manager of the said enterprise (belonging to the personnel of the Hong Kong side) once saw one of the employees of our side tell a few jokes on the work floor. The assistant manager immediately grabbed away the said employee's identity card and furthermore threatened to have him discharged. When the party branch heard of it, he felt this was too harsh a treatment, besides, this assistant store manager after all had no authority to take action against staff and workers on the work floor. His action not only exceeded his sphere of authority, but also displayed a certain disrespect for the Chinese side. Finally, the assistant manager of the Chinese side raised serious objections. The chief manager regarded our objections as justified and criticized the way the assistant store manager had acted, also restored the employee in question to his position. When all this was over, the party branch also applied stern criticism and education to the said staff and made him realize his own mistake.

The facts prove that as long as we follow appropriate work tactics and apply correct methods, further improvements will be achieved in our foreign economic cooperation.

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ECONOMIC DEVELOPMENT ZONES

REPORT EXAMINES NEW PORT CITY DEVELOPING IN JINAN

HK030654 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0313 GMT 2 Jun 86

[Report by ZHONGGUO XINWEN SHE reporter Zhang Liang [1728 0081]: "New Port City on the Coast of the Huang Hai"]

[Text] Jinan, 2 Jun (ZHONGGUO XINWEN SHE)--A new port city is rising on the coast of Huang Hai. Its deep-water coal transport dock of the largest berthing tonnage in China was built during the Sixth 5-Year Plan and is now open to the world. This is the 35th port China has opened to the world.

The Former Jiumizhai Is the Port City Today

Shijiu is located on the coast of Huang Hai 10 km east of Rizhao, Shandong. Driving into Rizhao and turning into the Shijiu port district, we passed one modern building after another--the post and telecommunications buildings, a department store, customs, the commodities examination building, the seamen's club, and a hotel. The local masses say that Rizhao's development is benefitting from the building of Shijiu port. Today Rizhao and Shijiu have merged into one, shaping a port city with characteristics of the north.

According to some local fishermen, the reefs here along the coast are natural mortar-shaped pits dating from the northern Song Dynasty. The fishermen going north and south would dock their boats here and husk their rice in those pits. This is why it is called "Shijiuhai" [stockaded village for rice-husking] under the jurisdiction of Rizhao Town. An office was set up here in the Ming Dynasty to administer the affairs of a thousand households, and was called the "Shijiu office." It gradually became an important passage for merchants and travellers. A passenger and cargo dock of 500-tonnage was built here after the founding of the PRC, with an annual volume of loading and unloading of only 600,000 tons. Despite the fact that the place is marked on China's provincial map as the maritime gate on the southern coast of Shandong, and that Rizhao received the world-famous physicist, Dr Ting Shao-chung, who made a special trip there to pay tribute to his ancestors, it has not caught the attention of the world because of its inaccessibility.

In the course of China's modernization today, Shijiu port has been pushed to the forefront. The Chinese Government found this site ideal for a deep-water port in north China 6 years ago, and decided to build another large modernized dock for coal transport with huge investment following the second-phase of construction of the Qinhuangdao port coal transport dock. In less than 3 years, a coal transport dock of China's own design and construction has emerged in the former Kiumizhao.

Two Things of "The Superlative Degree in China"

Here we can find two things of "the superlative degree in China." The steel-stack bridge with a span of 1,144 meters soaring over the dark blue sea like a rainbow is the longest of its kind in China today. At one end of the bridge are two berths, each of 100,000 tonnage. It is the largest coal transport dock with the greatest berthing tonnage in China at present. Two imported gigantic coal loaders stand capable of filling up a boat with a tonnage of 100,000 within 18 hours. At present the annual loading capacity is 15 million tons of coal.

When the Yanzhou-Shijiu railway is connected, which will form a complete link with Shijiu port, the train will run from Yanzhou through Hezhe, Xinxiang, Jiaozhuo, and Houma, ending in Xian. This will form another east-west artery horizontal to the Lianyungang-Lanzhou railway. Shijiu has become another seaport for Shandong, Henan, Shanxi, and the great northwest.

Its Importance Will Be Felt in Another Decade

In recent years, Hu Yaobang, Zhao Ziyang, Li Peng, and Wan Li have on separate occasions made inspection tours of this port. The Shandong Provincial Government has set up the Shijiu Port Economic Development Zone here and is determined to absorb foreign investment, to import advanced technology, and to further the economic development of the hinterland. Officials of the Shijiu Port Construction Headquarters told us that another seven berths of 10,000-tonnage to be built during the Seventh 5-Year Plan are included in their plan. Two berths for imported timber will get under way within this year. Another berth for the loading and unloading of sundry goods will be completed and put into use in the near future. Not long ago, Wang Guang-ying, director of the board of Everbright Industrial Corporation, and Metallurgy Minister Qi Yuanjing personally arrived at Shijiu to make preparations for the building of a large iron and steel works. To work in coordination with the first-stage project of the works, which has a capacity of producing 3 million tons of steel, construction will begin on a berth for mineral ores of 150,000-tonnage during the Seventh 5-Year Plan. A thermal power station with a capacity above 1.2 million kw is under preparation for its first stage of construction.

Premier Zhao Ziyang is quite interested in the development of the tourist resources here. North of the port district lies a stretch of golden sand beach 20 km in length. Wanpingkou and Diaoyutai, the two lagoons, are rare natural summer resorts where the waters are clear and tranquil. Sishan, with its many hills and peaks rising one higher than another, as well as the miles of forest belt along the beach of Dashawa, are wonderful scenic spots for touring and recuperation.

The good climate and geographical advantages of Shijiu port will help it gradually develop into a comprehensive modern port with a volume of loading and unloading of millions of tons. The local inhabitants tell visitors with pride: "Shijiu's importance will be felt in another decade."

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ECONOMIC PLANNING

WUHAN'S ECONOMIC PLANS FOR 1986 REVEALED

Wuhan CHANGJIANG RIBAO in Chinese 2 Jan 86 p 2

[Article by Feng Chuanyue [7458 1413 6390], director of the Wuhan City Economic Commission: "Adhere to Reform, Advance Energetically, Struggle To Complete the Seventh 5-Year Plan; Consolidate and Develop the Fruits of the Reform, Work Hard To Stimulate the Industrial Economy"]

[Text] In the past year the vast ranks of workers and cadres in Wuhan's industrial front have, during the course of the "opening of the three towns" and intense competition on the market which have involved great change in the objective conditions of industrial production, enthusiastically adhered to reform and made pioneering advances. It is estimated that the city's gross industrial output for 1985 will increase 13.6 percent over the year before; profits and tax revenue will increase 26 percent and financial revenue will increase 27 percent, thus achieving the goals of the "four increases and three equal steps." This demonstrates that Wuhan's industrial economy has begun to free itself of traditional views and rigid models and has entered onto the right track.

The year 1986 was the first of the Seventh 5-Year Plan of the national economy. Industries throughout the city have shouldered a tremendous burden and are faced with a rigorous challenge. The guiding ideology for the new year for Wuhan's industrial economy is: emphasize products and quality, build a foundation and increase actual strength. We must regard product development as an important strategic policy, stress improving product quality and reducing consumption and the "three reforms and one transformation." This means we must conduct the reform in-depth, accelerate the pace of technological reform, and enterprise reorganization and integration, and promote the modernization of enterprise management. We must concentrate our efforts, allow the masses to make decisions, truly get a handle on high-quality, new variety products that bring in good returns, consume few natural resources that can bring in much foreign exchange, and that meet advanced domestic and international standards. We must also improve our ability to compete, to effect inland development, to absorb (foreign technology, capital), and to promote the enhancement of the level of all industries as well as augment urban economic strength. To accomplish this we must:

1. Persevere in enlivening enterprises, especially the large- and medium-sized, central enterprises, deepen and complete internal enterprise reform, and energetically create a good external environment for enterprises. In the reform, we must adhere to both forms of civilization, conscientiously strengthen ideological and political work, ceaselessly improve the political quality of cadres and workers and arouse the enthusiasm of the vast ranks of the workers for socialism.

2. We must create good business strategies for enterprises, the core of which is improving products. This requires making good business-related policy decisions based on the needs of the development of the national economy and domestic and international market conditions, and setting strategic objectives regarding the quality level of enterprise products, actively adjusting the product mix, and making great efforts to improve quality, develop different varieties, and reducing consumption in manufacture. After a few years of work, the first step will be to enable the city's major products to catch up to the advanced national level for the same type of product. The second step will be to enable many products to reach international levels of the late 1970's and early 1980's, and to manufacture some products that will approach international levels of the time, so that the quality of the entire city's industry can be enhanced greatly.

3. We must improve enterprise business management. We must meet the needs involved in a planned commodity economy, and, revolving around the center of business management, understand concepts relating to the market, competition, and open door-type management in order to implement organic management over communications, scientific research, production and the market, and strive to reform internal enterprise management systems. We must implement output related systems of responsibility, as well as management, administration, and accounting on different levels, taking the greatest advantage of enterprise internal strong points and potential so that communications are rapid, decisions are accurate, leadership is effective, returns are high, and enterprise ability to adapt to change, to take on responsibilities, to compete and to make profits are enhanced.

4. The development of horizontal economic alliances. Proceeding from the creation of an open door, networking economy, the development of the role of central cities, and the formation of highly integrated economic strength, we must strive to develop diversified horizontal economic and technological relations among urban enterprises, factories, and units of scientific research, and between city and countryside, develop enterprise clusters composed primarily of dominant products and enterprises and integrate together readjustment, the forming of associations, consolidation, and technical innovation. We must unite to develop new products, techniques, industries, bases (for raw materials and product manufacture), and international and domestic markets.

We have to work together to improve our ability to absorb and make Chinese imported technologies and equipment to gradually create a socialized, specialized large-scale industrial structure in which "large and small enterprises work in close association, the city and countryside are developed in a coordinated fashion, and interlocking relationships are established between city and countryside and province and city" in order to promote the rationalization of enterprise organization structure, product mix, professional trade and industrial structure and to increase the economic returns of the entire society.

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AGGREGATE ECONOMIC DATA

TABLE OF PROJECTED DEMAND FOR CERTAIN COMMODITIES IN 1986

Fuzhou FUJIAN RIBAO in Chinese 20 Dec 85 p 2

[Table provided by the JINGJI RIBAO [ECONOMIC DAILY NEWS]: "Projected Demand for Agricultural Food Products, Clothing, Durable Consumer Goods in 1986"]

[Table] Projected Demand for Agricultural Food Products, Clothing, and Durable Consumer Goods in 1986

Commodity	Unit	1985 demand	1986 demand	Difference between 1985 and 1986 (percent)
Average per capita demand				
Food and candy	jin	3.4	3.9	14.7
Cigarettes	carton	32.3	35.2	9.0
including: middle- and high-grade tobacco	"	8.1	9.3	14.8
Bottled spirits	jin	3.2	3.7	15.6
Beer	"	1.2	1.5	25
Cakes and cookies	"	2.5	2.9	16
Candy	"	1.2	1.5	25
Milk products	"	0.2	0.3	50
Canned goods	can	0.8	1.0	25
Fruit	jin	5.9	7.1	20.3
Average demand per 100 persons				
Cotton clothing	each	77	78	1.3
Chemical fiber clothing	"	110	123	11.8
Woolen clothing	"	13	15	15.4
Silk and satin clothing	"	4	4	0
Acrylic fiber clothing	"	40	45	12.5
Down clothing (made from feathers)	"	1	2	100
Leather clothing	"	2	2	0
Knitted sweaters and pants	"	19	21	10.5
Leather shoes	pair	18	20	11.1
Silk, satin, cotton quilt covers	each	11	13	18.2

[continued]

[continuation of table]

Commodity	Unit	1985 demand	1986 demand	Difference between 1985 and 1986 (percent)
Average demand per 100 households				
Bicycles	each	17.9	26.8	49.7
including: name brands	"	12.0	14.3	19.2
Sewing machines	"	8.3	11.8	42.2
including: name brands	"	5.4	7.3	35.2
Watches	"	24.7	27.4	10.9
including: mechanical watches	"	18.1	19.9	9.9
Cameras	"	0.2	0.6	200
Electric fans	"	5.9	6.3	6.8
Washing machines	"	2.0	3.6	80
Refrigerators	"	0.1	0.6	500
Radios	"	9.4	9.3	-1.1
Televisions	"	6.3	12.3	95.2
including: color televisions	"	1.2	2.6	116.7
Tape recorders	"	3.4	7.0	105.9
Motorcycles	"	0.2	0.8	300

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AGGREGATE ECONOMIC DATA

HEBEI'S ECONOMIC SITUATION FOR 1985 SUMMARIZED

Shijiazhuang HEBEI RIBAO in Chinese 4 Jan 86 p 2

[Article provided by the Hebei Province Bureau of Statistics: "A Summary of the Sitution in the National Economy of the Entire Province in 1985"]

[Text] With the stimulus of the overall economic reform, there was good, comprehensive economic development in Hebei in 1985. Gross social production output, GVIAO and Hebei's share of the national income all grew more than 10 percent over 1984, and major economic norms of the annual plan may all be met.

The Flourishing Development of the Agricultural Economy During the Course of the Readjustment of the Industrial Structure

In 1985, the second stage of the reform was begun throughout the rural areas of the province and a fairly large readjustment of the industrial structure was initiated. In the cultivation mix, cotton acreage was reduced 2.91 million mu while acreage for oil-bearing crops was increased 3.46 million mu. A stable increase in grain production was maintained, with total output reaching 36.5 billion jin, a record high increase of 1.1 billion jin over 1984. Total cotton output may reach 1.4 billion jin, a decrease of 600,000 million jin compared to 1984. Total output for oil-bearing crops attained the figure of 1.5 billion jin for a recordbreaking increase of 300 million jin. Total output for sugar beets, flue-cured tobacco, jute, bluish dogbane, and dried and salted fruit all showed differing degrees of growth. Annual GVAO may reach 20 billion yuan, a 7.2-percent increase over 1984.

Industrial Production Shifted From an Overly Rapid Rate of Development to One of Basic Normality

The growth rate for industrial production in 1985 was quite rapid, but economic returns did not increase accordingly. A gradual decrease in the growth rate for returns appeared beginning in July. The gross annual industrial growth rate was approximately 33 billion yuan, an increase of more than 13 percent over 1984.

The following characteristics were seen in 1985 for industrial production: 1) Light industry developed more rapidly than heavy industry. Output value for light industry increased approximately 15.9 percent compared to 1984, while heavy industry grew 11.7 percent; 2) production of energy and raw materials grew steadily; Production of pig iron, steel, finished steel products, raw coal, and electricity increased 5 to 10 percent over 1984; 3) production of goods needed to support agriculture showed a tendency to fall; 4) economic returns have been somewhat increased. Total output value for industrial enterprises within local budgets for the first 10 months of the year grew 10.5 percent compared to the same period the year before, while revenue from product sales increased 16 percent, for a 14.1-percent increase in profit and tax revenue. Profit handed over to the state according to fixed specifications increased 7.2 percent.

Scope of Investment in Capital Construction Controlled

By the end of August 1985, 273 local capital construction projects were eliminated throughout the province and investment was cut by 110 million yuan. In 1985, approximately 3 billion yuan of capital construction was completed by state-run units for an increase of 9.6 percent over 1984. About 1.6 billion yuan was invested in renewal and renovation measures, for an increase of 7.8 percent compared to 1984.

The state arranged for Hebei's six focal construction projects fairly rapidly, basically completing the requirements of the plan. Accumulated investment for the first 10 months of the year represented a 90.5 percent completion of the annual plan, which was greater than the degree of completion required in the assessment of the plan for the entire province regarding capital construction investment.

Lively Rural and Urban Markets; Further Expansion of Foreign Trade

Hebei's retail markets in 1985 were quite lively. With the exception of some durable consumer goods in short supply, there was an abundance of commodities. Total retail sales value for the year may reach 19 billion yuan, a 13-percent increase over 1984.

Foreign trade was further expanded. Total value of commodities exported in 1985 for the province increased approximately 67 percent over 1984. Projects involving foreign capital and technology continued to show flourishing growth. Total monetary value for contracted projects involving foreign capital increased 16-fold until September 1984 compared to the prior year.

Increased Financial Revenue and Decreased Expenditures; Amount of Currency in Circulation Stabilized

Financial work in 1985 focused on developments in the reform of commodity prices and wages. Despite factors causing increased expenditures, financial revenues showed a fairly large increase due to the expansion of production and circulation, increased revenues, reduced expenditures, and improved management work in tax collection. Local revenue for the first 10 months of the year in the province overfulfilled, 2 months ahead of time, the Central Committee's readjusted budget by 2.5 percent. It is estimated that local revenue for the year will increase more than 13 percent over 1984. The net amount of currency put into circulation may be about 15 percent less than in 1984.

The People's Living Standards Continue To Improve

In 1985 the state began a preliminary reform of the wage system and at the same time, loosened price restrictions on meat, eggs, fish and seafood, vegetables, and other nonstaple foods while providing adequate subsidies to urban residents, causing increases of varying degrees in income of urban and rural citizens. It is estimated that the average per capita income for living expenses of urban working families will reach 660 yuan, a 19-percent improvement over 1984, or more than 9 percent after deducting the factor of commodity price. Average per capita pure income for peasants may reach 390 yuan, a 13-percent increase over 1984, or an improvement of approximately 6 percent after deducting the factor of commodity price.

Total wages for staff and workers continues to grow, and have increased approximately 10.6 percent over 1984, while average per capita wages increased 8.1 percent.

It is estimated that, along with the increases in income and the continued improvement in the level of consumption of urban and rural residents, the average per capita growth for all throughout the year will be 15.7-percent higher than in 1984, and that the real increase, after deducting the factor of commodity price, will be 9.2 percent.

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FIRST QUARTER 1986 FINANCIAL STATISTICS SUMMARIZED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 22, 9 Jun 86 p 32

[Text]

Table 1, State Credit Balance (Unit: billion yuan)

Item	Balance at end of 1st quarter 1986
Itemized deposits	433.880
From enterprises	201.152
From financial institutions	43.083
From governmental organizations	32.689
From cities and towns	116.934
From rural areas	40.022
Liabilities to international financial organs	7.905
Currency in circulation	89.879
Operating funds of state banks	84.812
Carry-over balance in the present year	4.122
Miscellaneous	17.144
TOTAL SOURCE OF FUNDS	637.742
Itemized loans	585.378
To manufacturing enterprises	121.132
To industrial supply and marketing enterprises and materials departments	39.790
For commercial purposes	249.279
For construction enterprises	25.967
For fixed assets	72.276
Industrial and commercial loans to urban collectives and individuals	32.300
Agriculture	44.634
Gold	1.204
Foreign exchange	8.221
Assets with international financial organs	9.142
Financial lending	28.205
Miscellaneous	5.592
TOTAL APPLICATION OF FUNDS	637.742

Table 2. Rural Credit Cooperatives: Deposits and Loans (Unit: billion yuan)

Item	Balance at end of 1st quarter 1986
Itemized deposits	75.465
From farm collectives	5.805
From township and town enterprises	5.895
From rural households	61.958
Miscellaneous	1.807
Itemized loans	48.996
To farm collectives	4.050
To township and town enterprises	19.880
To rural households	25.066

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Table 3. Exchange Rate, Gold, Foreign Exchange Reserves, and Foreign Debt

Item	1986		
Exchange rate:	January	February	March
One SDR--RMB yuan (end of month)	3.5573	3.7078	3.6660
One US dollar--RMB (end of month)	3.2015	3.2079	3.2207
One US dollar--RMB (average)	3.2015	3.2070	3.2120
Gold reserves (million ounces)	12.67	12.67	12.67
Total foreign exchange reserves (US$ billion)	11.146	11.140	10.348
Of this			
Reserves in state treasury	3.013	2.859	2.555
Foreign exchange balance of the Bank of China	8.133	8.281	7.793
State foreign debt (US$ billion)	5.089	5.512	5.870

CSO: 4006/1124

INDUSTRY

FIVE-YEAR RECAP OF INDUSTRIAL BOILER DEVELOPMENT

Shanghai DONGLI GONGCHENG [POWER ENGINEERING] in Chinese No 6, 15 Dec 85 pp 33-40

[Article by Shi Qiangsun [2547 1730 1327]: "The Development of Industrial Boilers in China 1981-1985"]

[Text] I. A Survey of Development

By the end of 1983 the number of industrial boilers nationwide had reached 280,000 with 470,000 steam tons, or, according to another source, there were 250,000 boilers with 530,000 steam tons. They should be more or less in this range. Over 200 million tons of raw coal are consumed annually.

The number of industrial boiler makers in China was readjusted from over 500 in 1981 to 214 in 1984 which were qualified to apply for production permits. After more than 2 years of double checking and spotchecking, production permits will be issued to those plants which meet conditions. In 1983, output of the industry as a whole was about 66,000 steam tons and over 30,000 boilers. Along with the growth of the national economy and improvement in the people's living standard, installed capacity of industrial boilers will continue to expand and it is expected to double by the end of this century. Currently, the main industrial boiler products are divided into eight subcategories: hand-fired boilers, chain-grate boilers, reciprocating boilers, spreader boilers, fluidized-bed boilers, pulverized coal fired boilers, gas-oil fired boilers, and hot water boilers. There is a total of 77 varieties, of which 17 are chain-grate boilers which have the most. Based on the quantity of evaporation, chain-grate boilers make up more than 60 percent of the total quantity of evaporation.

Before describing the development in recent years, it is necessary to review briefly the development of industrial boilers in China. Since current product development has its own historical background, a brief review will help us understand present circumstances.

Industrial boilers in China began to develop in the early 1950's. During the more than 10 years until the early 1960's, the main products were modeled on foreign ones which are divided into the header and bent-tube types; the American horizontal external fired return fire-tube type; and the Soviet model K and model DKB. These boilers can still be used. Their main feature is that they all use high-grade coal as the design coal, their tube boilers come in bulk, and those with a capacity under 4 tons per hour are hand-fired. Their heat efficiency is low and automatic control instruments are almost nonexistent. Beginning in the 1960's, as steel materials were in short supply and old designs did not meet current needs, China gradually designed on its own with the guiding ideology of economizing on steel products. Particularly prominent among low capacity products was the development of packaged water and fire tube boilers. This type of boiler is formed by attaching water-cooled walls to external fired horizontal return fire-tube boiler or the HRT model. It was extensively used in the early 1970's because it has a compact construction and is easy to manufacture. Chief among water-tube boilers are the double horizontal chain-grate boilers, but there is also the double vertical barrel model D layout and construction. In the later part of the 1960's, China entered the stage of complete self-designing, and typical boilers with a capacity between 1 and 4 tons per hour are packaged water and fire tube boilers, of which a few are the double vertical barrel type. Boilers with a capacity of 6 tons per hour or higher are the double horizontal barrel type. The design coal is primarily high-grade bituminous type and varieties including anthracite, lean coal, and brown coal are also derived.

After 1970 there was shortage of fuel coal supply, the quality of coal declined and departments using industrial boilers carried out boiler transformation one after another. After they were delivered to the consumers, factory made boilers suitable for using high-grade coal were refitted, resulting in considerable waste. In order to suit current circumstances, after 1976 the industrial boiler industry vigorously developed boilers for burning bony coal. By the end of 1979 a total of 56 standards had been developed, most of which were fluidized-bed boilers but also included the new types of reciprocating and chain-grate boilers. Great results were obtained in the development of gangue fluidized-bed boilers with a combustion calorific value below 2,700 kilocalories per kilogram. In 1980, along with the readjustment of industry, the quality of coal was improved and orders for boilers that burn bony coal became few. The ash extraction density of fluidized-bed boilers is high, the performance of ash extractors in the country is poor and pollution is severe. The fuel coal must be crushed and screened, and environmental and sanitation conditions are very poor. Consequently, many consumers have stopped using fluidized-bed boilers. However, they are still used in coal mines and areas with bony coal, and recently there is a trend toward an increase. Coal mines annually discharge large quantities of gangue, and fluidized-bed boilers are the only boilers that can burn gangue of such low caloric value. Consequently, fluidized-bed boilers still have a considerable market in this area. There remains a great deal of work to be done in complementary auxiliary equipment, particularly in the comprehensive utilization of ash extractors, crushers, and ash. The foregoing is a brief survey of the development of industrial boilers in China prior to 1980.

After 1980, industrial mining enterprises were readjusted and restructured, the quality of coal in coastal cities increased, but due to a nationwide energy shortage and inadequate supply of coal, locally produced low-grade coal also entered the market. As a result, the quality of coal used by industrial boilers remained not too stable, generally centering on bituminous coal of medium or higher grades. Before 1980 industrial boilers developed products for high-grade and bone coal but lacked products for medium-grade coal, so that after 1980 the industrial boiler industry decided to develop products for medium-grade coal (with a calorific value of 3,700-4,700 kilocalories per kilogram), and conduct joint design under the leadership of the Electrical Engineering Bureau of the Ministry of Machine-Building Industry. The types of boilers adopted can be summarized under the following four categories:

(1) Two types of hand-fired boilers have been developed for capacities of 0.2 ton per hour and 0.5 ton per hour. One is the open-flame return combustion boiler and the other is the double layer stoker.

(2) A new packaged inclined barrel boiler system has been developed for capacities of 1 and 2 tons per hour, such as shown in Figure 1.

(3) A new assembly water tube system has been developed for capacities of 2 and 4 tons per hour. This is the vertical double barrel chain-grate type of boiler, as shown in Figure 2.

(4) For capacities of 6, 10, and 20 tons per hour, the original horizontal double barrel chain-grate boilers are still used, as shown in Figure 3.

The boiler safety regulations issued by the Ministry of Labor and Personnel in 1980 provided that boilers with a capacity above 1 ton per hour must be mechanically fired. But due to the cost, materials, conditions of use and other objective reasons, those under 1 ton per hour at the present stage of hand-fired boilers still need to go through a period of transition. Two types of boilers, the open-flame return combustion boiler and double layer stoker have been developed based on the society's experience in boiler transformation. Judging from 2 years of actual operation they are still not too ideal and the basic shortcoming remains that they are hand-fired. Open-flame return combustion boilers have already been improved into a draw-plate lifting structure which can be operated and used continuously. Double layer stokers still have some problems in their structural design and method of operation while their efficiency is low.

The second and third types of boilers were developed to deal with the unsafe and easy burning of drum wrapping at the lower section of barrels of water and fire tube types of packaged boilers which are manufactured in relatively large quantities. The efficiency of the second type of packaged barrel boiler system still maintains an efficiency of 76 percent or higher after 1 year in operation. Their output not only assures specified parameters but they also have excess load surplus which are welcome by consumers. The third type of boilers with capacities of 2 and 4 tons per hour are water-tube assembly sets. They are safe and reliable during use, but the work volume of heavy boiler wall installation is large. With the exception of consumers in mountainous and inland areas where transportation is difficult, the general preference is the packaged construction or assembly boiler with a very high degree of assembly. Small capacity packaged water-tube boilers generally use a vertical double barrel layout. Vertical double barrels can be further divided into two types: one resembles model DKB in mid-barrel, the other has a model D arrangement on one side of the barrel. Judging from the development trend of industrial boilers at home and abroad, double-barrel boilers with convection beam arrangement on one vertical side and a stoker arrangement on the other side are extensively used. The structure can therefore be more compact, serialization is made easy, the barrel can be lengthened at any time with the increase in capacity, and the corresponding increase in the barrel's steam-water dividing section assures the quality of steam. The fourth type is the horizontal double barrel chain-grate boilers. This type of boiler was initially modeled on the model D of Czechoslovakia which had a capacity of 20 tons per hour. Later, China successively designed by itself the two capacities of 6 and 10 tons per hour with double layer layout and heavy boiler walls. The operation of this type of boiler satisfies consumers though metal consumption is high, boiler houses must be tall and investment is big. The present joint design has given consideration to the long period of time it takes to develop new structures for large capacity products. In order to stress developing products using medium-grade coal, matured types of boilers are still being used in order to accelerate progress.

For the appraised heat efficiency of jointly designed products that use medium-grade coal, with the exception of hand-fired boilers which is between 62 and 65 percent, all other products are 76 percent or higher. Results of retesting packaged inclined barrel boilers with capacities of 1 and 2 tons per hour after 1 year in operation show that they still maintain an efficiency of 76 percent or higher.

In the period between 1980 and 1984, many manufacturers developed quite a few of their own new products besides those that are jointly designed. In 1984 alone 29 varieties of new products were appraised. Judging from these new products the following features can be seen: 1) the variety of water-tube boilers with small capacities between 2 to 4 tons per hour has increased, among which are the packaged and assembly types. Moreover, water-tube single layer layout and construction with a capacity of 6 tons per hour has been developed. 2) The variety of reciprocating boilers has increased. Because of the ease of manufacturing, low dust content in smoke, suitability of fuel coal, capacity has been developed from 0.5 to per hour to 10 tons per hour. Two types of reciprocating stokers are currently being manufactured, the stepped and horizontal types. 3) The variety of hot water boilers has increased. 4) With the increase in the variety of medium-grade coal, their heat efficiency is generally higher than older products. 5) Most of the products are complemented with control boxes, basically implementing the Ministry of Machine-Building Industry's 1980 documents on provisions concerning complementary equipment.

With the exception of steam boilers, five standards of joint design have been made for hot water boilers. Specifically they are as follows:

(1) RSL 250 pressure 7 kgf/cm^2, temperature of water discharged 95°C
(2) DZL 360 pressure 13 kgf/cm^2, temperature of water discharged 130°C
(3) RZL 600 pressure 7 kgf/cm^2, temperature of water discharged 110°C
(4) DZL 600 pressure 10 kgf/cm^2, temperature of water discharged 130°C
(5) DHL 1200 pressure 13 kgf/cm^2, temperature of water discharged 130°C

Apart from the five types of products mentioned above, quite a few new products have been developed by various manufacturers in recent years. At present, there are various types of hot water boilers with capacities of 600,000, 1.2 million, 2.4 million, 3.6 million, 4 million, 6 million, 9 million, and 12 million kilocalories per hour.

In order to conserve energy, in the future we still need to vigorously develop hot water boilers and gradually replace steam with hot water concentration for the supply of heat. Therefore, other than perfecting existing small capacity hot water boilers, we should also develop those with 25 million to 50 million kilocalories per hour and even bigger coal-burning hot water boilers in order to initiate conditions for making overall plans to construct large integrated thermal network.

In view of the improvement of industrial boiler products in recent years in terms of variety, quality, and standards, the following aspects can be summarized:

1. Leaders of the ministry and bureau have stressed the work on standards and quality. Since 1980 they have strongly stressed the work on standards, convened a series of work conferences on industry standardization and have vigorously promoted the adoption of international standards. Currently there are over 30 state and ministerial standards in China's industrial boiler industry. The various standards on design, manufacturing, installation, thermal engineering tests, complete auxiliary machinery, operation, and maintenance are basically complete. The substance of these standards are basically similar to those in industrially developed countries. The work on issuing permits jointly carried out by the Ministry of Labor and Personnel and Ministry of Machine-Building Industry has played a significant role in the improvement of the quality of products of manufacturers.

2. Various departments in concern stress the work of scientific research and technical development of industrial boilers. The State Economic Commission, State Science and Technology Commission, State Supplies Bureau Ministry of Machine-Building Industry, colleges and universities, manufacturers, consumers, research institutes, as well as concerned departments in charge of energy conservation at the provincial and municipal levels all actively support S&T development of industrial boilers. At the 1982 annual meeting of the Society of Power Engineering, quite a few number of essays described the work in this area. Here we summarize scientific research and development in the last 2 to 3 years as follows:

(1) Research and testing of chain-grate stokers have primarily focused on the three areas of airtight sealing, air mixing, and stoker construction.

Airtight sealing and air mixing are the key to increasing stoker combustion efficiency. During 1983-1984, plants and institutes concerned launched tests and research on vertical air mixing and airtight sealing in small chain-grate stokers, developed new airtight sealing boards, carried out a large number of cold-state tests, and performed thermal engineering determination of comparative tests on heat efficiency before and after refitting. Boiler efficiency was raised by 2 to 3 percent. The achievements of these tests will be popularized once they are appraised. In recent years a type of large stoker has been developed and are being used in joint design. After more than a year of operation and testing, they have been able to meet the requirements of use. They are characterized by their higher intensity than the original small stokers, low metal consumption, and a low leakage of coal. The problem is that sometimes their air vents can easily become blocked up. To deal with this shortcoming, the Guizhou Boiler Works developed an improved construction which is currently being tested. Chain-grate stokers are the most extensively used stokers in China. Their performance has a significant impact on the results of energy conservation of industrial boilers. The efficiency of new jointly-designed products with capacities of 1 to 2 tons per hour is higher than that of the old products largely because of improvement in stoker construction. In view of the quality of chain-grate stokers which are currently mass produced in China, both vertical and lateral airtight sealing have a serious air leak problem which results in difficulty to regulate combustion. It can be seen from large numbers of thermal engineering test reports that the excess air coefficient is around 1.8 to 2. Outside China, this excess air coefficient of chain-grate boilers is controlled at around 1.5. This requires a long period of study, and in order to assure safe and reliable operation in thermal state without jamming dead and jamming while maintaining the lowest tolerance clearance, it is necessary that the four areas of design, technology, testing, and inspection are closely coordinated. We must continuously improve construction and gradually perfect it. Similarly, apart from the problem of airtight sealing, reciprocating stokers still have the problem of stokers burning out. At present, it appears that this problem needs to be tackled by the quality of materials. Manufacturers in concern have undertaken to study this problem which is expected to complete this year. In short, manufacturers, research institutes, colleges and universities have done a great deal of work on layered combustion stokers in recent years and have promoted the improvement of products. However, we can only say that this is just the beginning, initial results are barely in sight and a large deal of work remains to be done before they are truly reflected in specific products.

(2) In 1981, Chongqing University and Chongqing Boiler Works launched tests and research on the application of threaded pipes in coal-fired smoke tube industrial boilers. They studied Reynolds numbers between 6,000 to 30,000 hours, the flow and heat transmission character of air in a single-head threaded pipes, and performed industrial comparison tests on a KZL4-13-A II boiler. After 3,000 hours of continuous operation and observation, the inside wall did not show any noticeable wear and tear. Ash accumulation was not as serious as that in light pipes. Appraisal was made at the end of 1983 and it was affirmed that after using the threaded pipes in the secondary

return-stoke in the above-mentioned 4-ton per hour boiler, the heat absorption capacity increased by about 25 percent, which led to a drop in smoke temperature by 26° to 28°C, and because of the decrease in smoke loss, the original boiler efficiency was increased by 2.5 percent. It will take a long period of testing before comprehensive economic results are available.

(3) Definite progress has been made in the development of industrial boiler combustion automatic control in recent years. In Shanghai, industrial boiler combustion automatic control began at the Shanghai No 5 Chemical Fiber Plant and Minxing Chemical Plant. Subsequently, Shanghai No 5 Steel Works and others used DDZ II instruments. The DDZ II instrument is a more matured instrument which can completely take care of automatic control of industrial boiler combustion and feed water, though the price is relatively high with each set costing approximately 50,000 yuan. The cost of industrial boiler automatic control device based on international averages is around 10 to 15 percent of the total price of the boiler. The cost ratio of automatic control is somewhat higher for small capacity units such as boilers under the capacity of 10 tons per hour. At present, a boiler with a capacity of 4 tons per hour is sold for around 80,000 yuan and one with a capacity of 10 tons per hour for 180,000 yuan. Using the DDZ II instrument at 27 to 60 percent of the total cost is too expensive. It is worthwhile only if we install DDZ II instruments on boilers with a sale price of 50,000 yuan and a capacity of at least 35 tons per hour. In 1983, the Industrial Boiler Bureau and manufacturers in concern developed a special combustion automatic control instrument for small industrial boilers. In the course of operation it fully and automatically regulated the air-coal ratio so that under a 15 to 20 percent load fluctuation it automatically regulated the combustion quantity and steam pressure could basically be maintained within a variation of ±0.5 kgf/cm. This control system included oxygen fine adjustment automatic control, chamber negative pressure control, stoker ungraded governor mechanism, actuating mechanism of the air blower and intake device, stress pressure regulator, as well as boiler combustion automatic control instrument (the main control instrument).

In early 1984 this set of equipment was installed in the Shanghai No 5 Rubber Shoe Plant and remained satisfactory after half a year of operation. The main problem was the poor quality of the oxygen test instrument. Automatic control attachment systems used for small industrial boilers in Britain also utilize the same principle. After visiting our installation, the chief engineer of Robey Co., a large industrial boiler plant in Britain, indicated that the system they use is similar to ours. The principle of the system currently uses boiler steam pressure to drive the corrugated pipes of pressure ratio regulator. The extension or contraction of the corrugated pipes regulate the slide arm of slide-wire electrical resistance which changes the value of electrical resistance. This then changes the electrical resistance signals into voltage to output signal and control the size of opening of the air gate and stoker speed in order to obtain the optimum air-coal ratio. Outfitting a 4-ton per hour boiler with a complete set of automatic control costs around 15,000 yuan. For a 4-ton per hour boiler that costs 80,000 yuan this constitutes 18.8 percent of the total cost and is already quite high. Recently, Beijing Automatic Instrument and Meter Plant has developed microcomputer control, and the future of its popularization and development is largely determined by prices and costs. Industrial boiler combustion automatic control is an inevitable trend of development and the key is the quality and prices of instruments. We believe that development of this aspect in the future requires joint research among design and technical personnel of the instrument and meter industry, industrial boiler industry as well as the two ministries to develop special combustion automatic control devices and test instruments for small industrial boilers which are of low cost and reliable quality. In the near future, we must primarily improve and upgrade the performance and quality of oxygen measuring meters, coal measuring meters and pressure transducers. In the long run, it is hoped that we can develop a quick test instrument for carbon content in boiler slag. The realization of this instrument will be of enormous help to combustion automatic control devices.

(4) In recent years there have not been any new developments in water treatment of industrial boilers in the system, but there has been considerable growth in the extent of popularization. Prior to 1980, approximately 50 percent of the industrial boilers adopted water treatment. According to recent figures, in coastal areas industrial boilers that have water treatment make up about 70 percent. The number of production plants of water treatment equipment have greatly increased. In Wuxi alone there are more than 40 of them and it is estimated that there are at least 600 nationwide. This is favorable to popularizing water treatment of industrial boilers, but the capability of scientific research and technical development in water treatment remain weak and few new products have been developed. Although we have not seen too many water treatment equipment for small boilers abroad in recent years, three or four plants have separately imported equipment from manufacturers in the United States and New Zealand. They are characterized by a high degree of automation and they generally use electromechanical multi-unit valves. As many as four different types have already been imported by China. Based on the achievements of the tasks of Shanghai's colleges, universities, and institutes in concern, the Industrial Boiler Institute and Jiangyang Boiler Auxiliary Machinery Plant have jointly developed and manufactured program control multi-unit valves for boilers with a capacity of 4 tons per hour, modeling on those from abroad. In actual operation, the problem is the unstable quality of individual parts. We believe that the production and development of program control multi-unit valves is a key aspect of improving industrial boiler water treatment equipment. Even less work has been done in the problem of water feed and oxygen removal in industrial boilers. In this respect we should import some sample machinery and speed up progress in the task of oxygen removal.

(5) After 1980, industrial boiler makers have added ash extractors to all boiler products in accordance with the provisions of the Ministry of Machine-Building Industry. After a period of operation and testing, these ash extractors have played a role in curtailing pollution in operation and practice, but their efficiency is low at approximately 80 percent. In recent years quite a few units have successively developed a number of

new cyclonic ash extractors that have a higher efficiency. In order to achieve even more rational selection of auxiliary devices, the Ministry of Machine-Building Industry and the Ministry of Urban and Rural Construction and Environmental Protection jointly organized departments concerned to conduct in Shanghai, Wuhan, Tianjin, Beijing, and Nanjing comparative determination and appraisal of 26 ash extractors of different specifications according to a unified test method. Finally eight models, XZY, XZS, XZZ, SG, XZD, XDX, XS, and XND were set as the basis of auxiliary outfitting. Of these ash extractors, XZY and XZS are the exceptions that give a hand-fired boiler efficiency of 80 percent, the others are close to 90 percent. They can be regarded as China's second-generation cyclonic ash extractors. Cyclonic ash extractors are still the main type of ash extractors used by small coal-fired boilers in industrially advanced countries at present. According to the contact between our Shanghai Industrial Boiler Research Institute and the Lentjes Boiler Workers of West Germany and Robey Boiler Works of Britain, the efficiency of the cyclonic ash extractors they use are around 95 percent. Therefore, we still have a great deal of work to do in this area. The diameter of the Whirlwind of Britain is around ϕ 200 and that of West Germany is smaller. Their casing is of cast finish, and both their precision and wearability are good and they deserve to be used for reference.

(6) In recent years, the thermal engineering test capability of industrial boiler manufacturers has improved. As arranged by the State Economic Commission, industrial boiler test centers have been built in six boiler plants in Anshan, Beijing, Chongqing, Jinan, Xi'an, and Changsha which are responsible for providing assistance to thermal engineering tests of manufactured products in their own greater regions. At present, three centers have been checked and accepted and efforts are made to check and accept all of them this year. Currently many fuel corporations in large cities undertake tasks of testing, but individual labor departments also carry on the professional work in efficiency tests. Because the State Planning Commission and State Economic Commission stress industrial boiler heat efficiency tests, the extent of testing of industrial boiler products in China has greatly increased, which has played a significant role in upgrading and improving products. In the future we still need to strengthen the setup for fuel analysis and laboratory tests.

(7) In recent years, fuel supply departments have carried out measures of power mixing of coal in several large cities so that the fuel coal calorific value and volatile are relatively stabilized within a certain range, which is beneficial to energy conservation and efficiency of industrial boilers and raising efficiency. At present, the key to the problem of coal mixing is particle size. For layered combustion, uniformity of particle size is very important. Currently the quality of screens in coal distribution yards is very poor. Nominally it is specified that fuel coal particles must not exceed ϕ 50 mm in size, but actually many are large lumps greater than ϕ 50 mm. The results will be even more tangible if fuel supply departments can strictly control particle size.

II. Existing Problems

Since 1980, definite results have been achieved in product development in China's industrial boiler industry, but there is still a gap between the demands of state energy conservation and advanced standards in the world. Many problems relating to present variety and quality remain exposed.

Last year when the two ministries conducted spot checking and double checking for the issuance of production permits, they found that the quality of products had declined among many manufacturers which had been checked and were thought to be qualified in 1983 while that of small manufacturers which initially did not qualify had all improved. Even some individual long-time manufacturers in the industry have serious problems of quality. This clearly shows that quality control work among China's industrial boiler makers is not stable and solid. With the supply of industrial boilers lower than the demand, it is not easy to do a good job in product quality conscientiously and in earnest. Take the manufacturing of chain-grate stokers as an example, China has a history of more than 30 years in the making of chain-grate stokers but so far not a single industrial boiler maker can manufacture chain-grate stokers that have a high level of performance and quality. The causes are numerous. Objectively speaking, a main reason is that "somebody will buy what is produced" and the manufacturers can be "satisfied" with the present standards of products because they mainly have output value and profits in mind. Tests, upgrading, and improvement most of the time bring no advantage to the manufacturers, and only when there are serious quality problems will they be compelled to do some tests. As a result, besides intensifying industry quality inspection, we must also intensify technical exchange in the industrial boiler industry at home and abroad, strengthen quality control, intensify instruction on quality, improve ideological understanding, commend and publicize manufacturers which truly perform well in technical development and quality control, summarize experiences and popularize them, and speed up the four modernization program to realize socialism in the motherland.

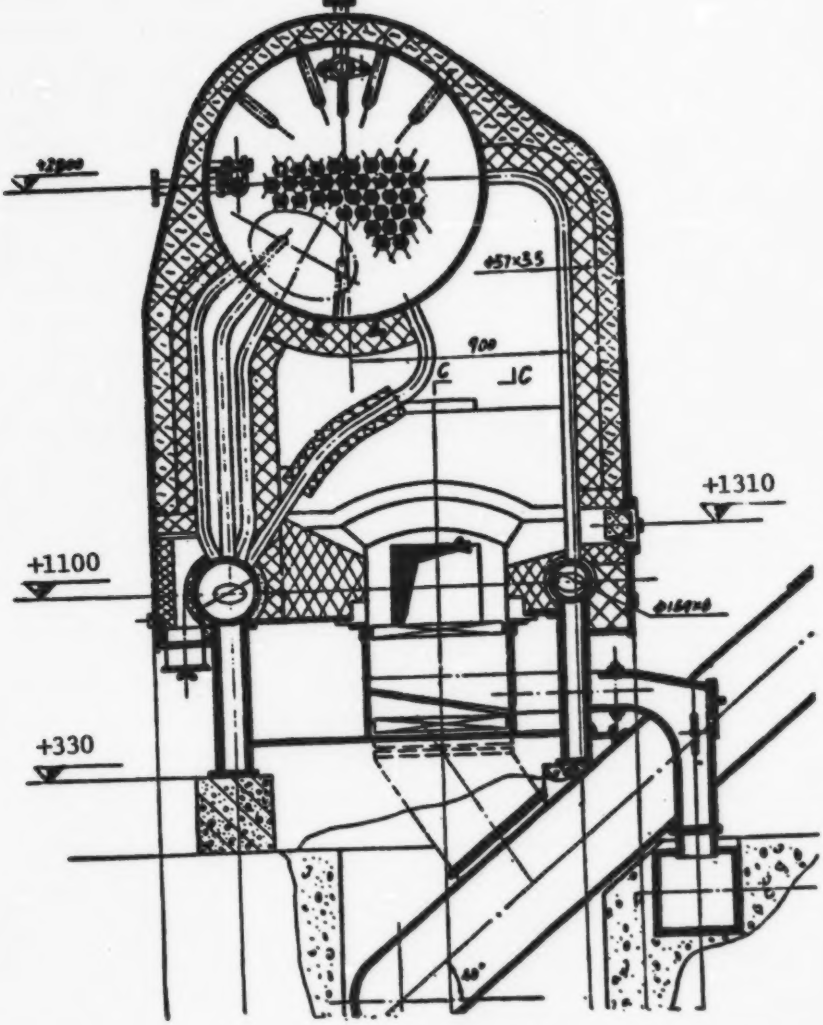
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Figure 1. New Type Packaged Inclined Barrel Boiler

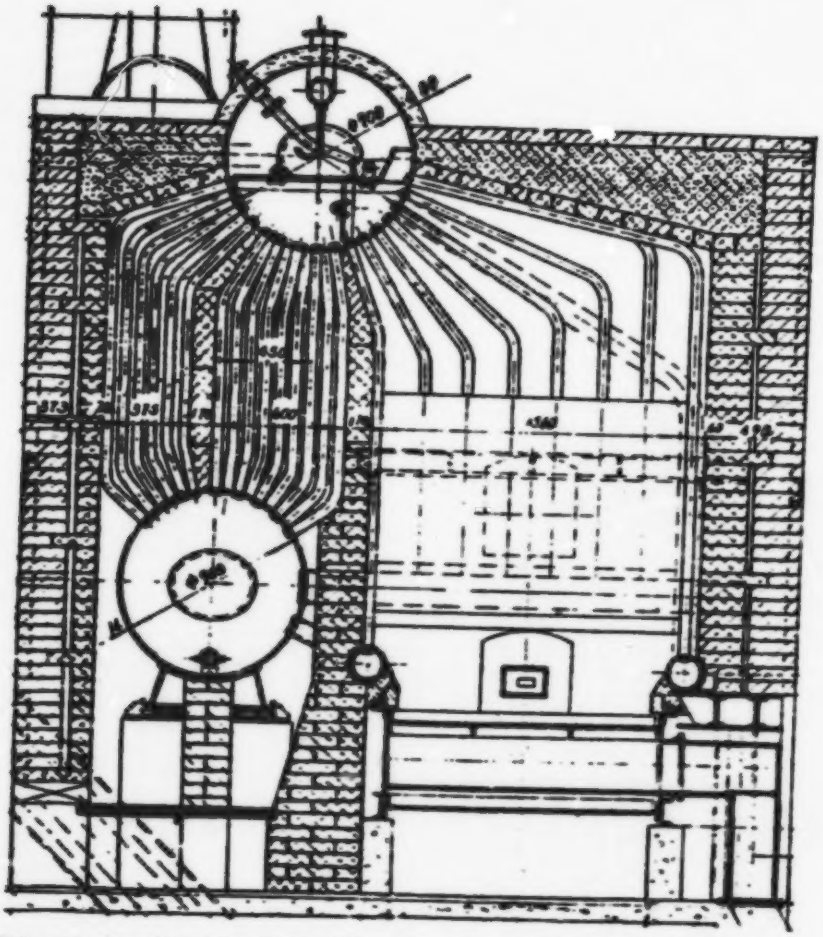

Figure 2. Vertical Double Barrel Chain-Grate Boiler

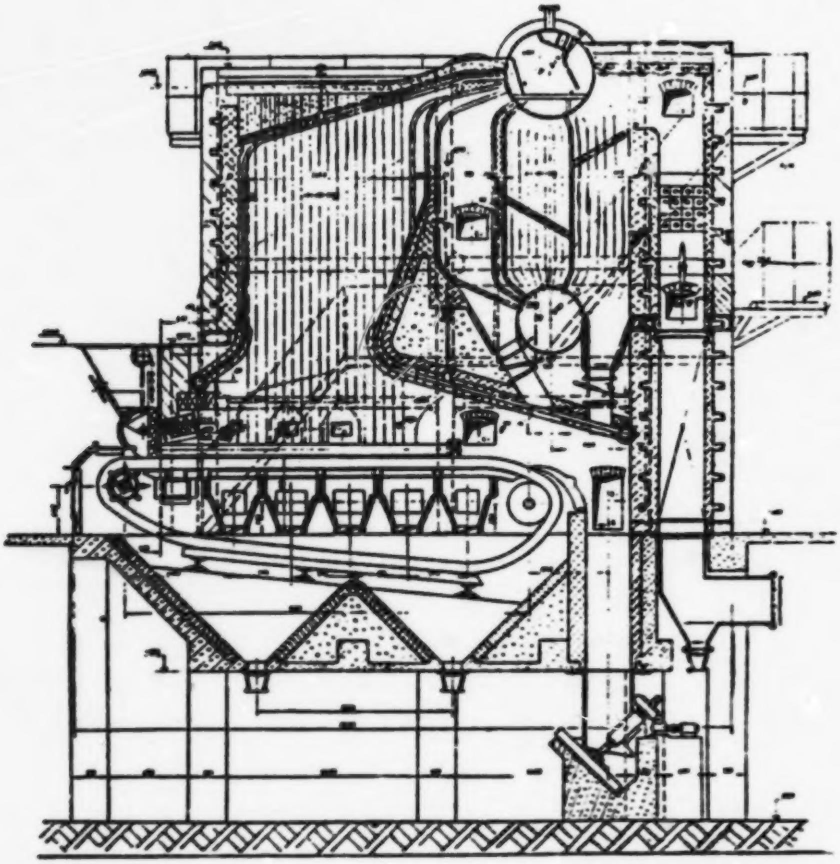

Figure 3. Horizontal Double Barrel Chain-Grate Boiler

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SMALL-SCALE ENTERPRISES

INDIVIDUAL ECONOMY DEVELOPS IN CHAOZHOU-SHANTOU

HK261214 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1402 GMT 25 May 86

[Report: "Advantages and Disadvantages of Rapid Development of the Individual Economy in Guangdong's Chaozhou-Shantou Area"]

[Text] Guangzhou, 25 May (ZHONGGUO XINWEN SHE)--According to a report by reporter in Kunming [2651 2492 2494], in the 1st quarter of this year, the volume of retail sales of commodities by self-employed businessmen in the Chaozhou-Shantou area reached 143.9 million yuan, accounting for 18.9 percent of the total sales volume of social commodities of that area. This percentage ranks first on the mainland of China.

There are now more than 143,000 self-employed businessmen in the Chaozhou-Shantou area. Of the 14 prefectures and cities in Guangdong, this number is second only to that of the Guangzhou area. These self-employed businessmen run food shops, small hotels, and transportation, sell general merchandise, and so on. The rapid development of the individual economy has added vitality to the economy of the Chaozhou-Shantou area.

Jieyang County has favorable natural conditions for developing fruit production. However, in the past, the peasants were not willing to engage in growing fruit because transportation was very poor and it was impossible to transport in a timely manner the fruit grown there to other localities. In the past few years, the county government has encouraged and helped individuals to run transportation. This has resolved the problem of marketing produce of the county in other places and has stimulated the peasants' enthusiasm for growing fruit. In 1985, the output of fruit, such as bananas, tangerines, and so on exceeded 1 million dan, more than 60 percent over that of 1984.

The development of the individual economy in the Chaozhou-Shantou area not only has promoted the development of the social economy, but has also provided an outlet for part of the excessive and unused manpower. As a result, employment has increased in this area, which has too many people and insufficient arable land. The unstable factors of the society have also been reduced, which can be seen from the gradual decrease of criminal cases year after year. According to the statistics of the public security departments, the total number of criminal cases in the Chaozhou-Shantou area from 1983 to April this year is 40 percent less than that from 1981 to the first half of 1983.

However, the rapid development of the individual economy has also given rise to some social problems.

First, it has increased the pressure on traffic. With the rapid development of transportation run by self-employed businessmen, the number of vehicles has increased abruptly, making the highways crowded, and increasing road accidents. Besides, since there are more individual retailers than the town markets can accommodate, many of these retailers have set up booths and stalls on pavements and even out on the streets, thus blocking traffic.

Second, some evil phenomena of society have revived. For some time in the past, the shops run by a few self-employed businessmen in the Chaozhou-Shantou area, some small shops along the Chaozhou-Shantou highway in particular, became places for sheltering evil people and countenancing evil practices. Some lawless people gathered to gamble there, and others used these shops for hiding or forwarding contraband. From the winter of last year to February this year, the public security departments found 603 of these roadside shops that were engaged in illegal activities.

Judging from the overall situation, the rapid development of the individual economy in the Chaozhou-Shantou area has more advantages than disadvantages. So long as management is strengthened, the disadvantages can be eliminated.

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CSO: 4006/1109

PABST TO SET UP $25 MILLION BREWERY IN GUANGZHOU

HK090402 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD) in English 9 Jun 86 p 1

[Article by Martin Howell]

[Text] Bosses of the American Pabst beer company perform a ground-breaking ceremony on the site for a huge new China brewery later this week.

The fifth biggest U.S. ale producer signed a deal to set up the plant several months ago, it was revealed this weekend.

Pabst has gone into partnership with the Zhao Qing brewery in Guangzhou for the U.S.$25 million project.

An existing plant that has been mothballed in Vancouver, Canada, is being shipped lock, stock and barrel to be rebuilt in China.

By the middle of 1987 Patst hopes it will be producing 750,000 barrels a year which chairman Lutz Issleib says will make it the largest brewery in the country. He also expects the company's first move out of the U.S. to be profitable in the short-term.

Mr Issleib told reporters in Hong Kong on Saturday that in the early stages 60 percent of the beer will be sold in China with 40 percent exported to the rest of Southeast Asia including here.

But he hoped this would become a 50-50 ratio to further ease any foreign exchange problems.

"We will be the first and only American brewery to set up in China after two years of negotiations," he said.

Pabst which has 12 main labels including Blue Ribbon has signed a 15-year agreement with the authorities.

The company has also already started talks for another brewery and is confident of making the move into China a huge success.

Mr Peter Wong, president of Pabst's distribution partner the Pacific Atlantic Trading Co, reckons the beer will "go like hot cakes."

"We already have the orders in hand if we can produce. Beer sales in China are soaring and there are hour-long queues for it," he claimed.

Pabst expects to get most of the ingredients for the ale from within China except for hops and beer cans which will have to be imported.

The venture will also mean the sale of the Chinese ginseng label beer in the U.S. as part of a two-way deal.

An 18-strong Pabst team is leaving Hong Kong for Zhao Qing on Tuesday morning including the firm's 80-year-old owner Mr Paul Kalmanovitz.

"He is very exicted by the prospects which is why he took an exhausting trip like this," added Mr Issleib who said the owner was too tired to meet the press.

Experienced technical staff and a Milwaukee brewery manager Bob Tiemann will help the Chinese in the plan.

The move onto Hong Kong's doorstep will make the local market even more competitive. The world's biggest brewer Anheuser-Busch still hopes to take over the San Miguel brewery in Hong Kong while European and Japanese firms are also seeking deals for both markets.

Pabst management says it has ousted Carlsberg as Hong Kong's second largest beer company after San Mig. But the claim of an 18 percent market share is being treated highly sceptical within the industry.

San Mig is acknowledged to have around 70 percent, Carlsberg between 10-15 percent and Tsingtao 5-8 percent. So it is difficult to see how Blue Ribbon could grab 18 percent as it fights for a fraction of the market place populated by other imported beers.

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CSO: 4020/355

SMALLER U.S. ENTERPRISES SEEKING TRADE DEVELOPMENT

HK130351 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0245 GMT 12 Jun 86

[News Roundup by correspondent Zhao Wei [6392 0251]: "American Medium-sized and Small Enterprises Seek Development Opportunities in China"]

[Text] Beijing, 12 Jun (ZHONGGUO XINWEN SHE)--Trade between the United States and China has in the past been almost all accounted for by big enterprises. Now U.S. medium-sized and small enterprises are also itching for a market share. A number of American manufacturers of Asian descent recently held a high-technology exhibition in Beijing in an attempt to make a start in creating a market.

According to Mr Lin Jiebing [2651 0267 1456], chairman of the Association of American Manufacturers of Asian Descent, who was one of the organizers of this exhibition, the annual sales volume of these manufacturers from the West Coast Silicon Valley generally runs from several millions to several tens of millions of U.S. dollars. They are not well provided with capital but they are highly competitive technologically. They are also quick to react to market conditions. Given the blood ties many of these traders have with the Chinese, they are confident of breaking into China's market. He said: "It is difficult to get anything started. But it is necessary to take the first step." The U.S. secretary of commerce and the governor of California expressed support for their brave action.

The Chinese responded with enthusiasm. Wu Mingyu, vice minister of the State Scientific and Technological Commission, praised them, saying that the products of these medium-sized and small factories are of a relatively high technical level and are very attractive in regard to quality, performance, and price. This exhibition is perhaps one of the smallest among foreign exhibitions in Beijing. But Mr Wu said: "A mountain is not necessarily high and its fame lies in its having an immortal as its resident." Every day, 500 or 600 people visited the exhibition. Most of them were responsible technical personnel of industrial departments and engineers of enterprises.

"Trading is unexpectedly successful," Wu Junjie [0702 0193 0267], vice president of the Time & Frequency Technology company (TFT), said. Orders under contract for the microwave transmitter-receivers and transceiver [diantai 7193 0669] monitors produced by this company were accepted. Chen Yizhi

[7115 0001 0037], a young executive of the Aot Company, was kept busy for days. Apart from giving lectures on technology, he was approached almost daily by people talking business or signing contracts with him. He considers that the semi-conductor and electro-optic cell measuring and stessing instruments were well received, partly because these instruments are first class U.S. technology and partly because the Chinese are badly in need of advanced testing and measuring means to raise the quality of electronic products. He thinks that the best future lies in using this company's advanced technology to produce these measuring and testing instruments in cooperation with China. Apart from being used at home, these products can be sold on the international market.

Of course, not all the manufacturers participating in the exhibition are so lucky. But those managers who had not done any business did not feel disappointed. They said: What is important is an opportunity to understand each other. In the past, there were too few opportunities for either the U.S. medium-sized and small enterprises to understand China's market or for the Chinese to understand U.S. medium-sized and small enterprises. Li Xinpei [2621 1800 1014], vice chairman of the Association of American Manufacturers of Asian Descent, said: U.S. medium-sized and small factories' technically advanced and highly adadptable but reasonably priced products are suited for China which is short of foreign exchange but badly in need of imported technology. But China must study ways of entering into cooperation with U.S. medium-sized and small enterprises, because these enterprises with limited capital cannot afford any long-lasting talks or any delay caused by the existence of numerous complicated procedures for examination and approval. He holds the view that if China's enterprises have the decisionmaking power to trade directly with medium-sized and small U.S. enterprises, then the latter will have more chance of success.

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CSO: 4006/1101

FOREIGN TRADE AND INVESTMENT

OPEN DOOR ACHIEVEMENTS IN POSTS, TELECOMMUNICATIONS

Beijing GUOJI SHANGBAO in Chinese 9 Sep 85 p 1

[Article by own correspondent Wang Chang [3769 1603]: "With Daily Improvement of Infrastructure and Continuous Adoption of Advanced Equipment, China's International Postal and Telecommunications Services Are Developing Rapidly"]

[Text] Since opening up to the outside world, China has made great progress improving its international postal and telecommunications services; infrastructure has been perfected constantly, and the volume of business has been increasing continuously.

With regard to international postal service, China has established direct postal service with 113 countries, and separate pieces of mail can be indirectly forwarded to every country or region of the world. Because certain units need to mail important documents, data or valuable goods, China has established insured letter and parcel post service with almost 100 countries and territories.

In order to shrink the time between airline flights and the amount of time it takes to process mail, and speed up mail delivery, China in 1980 instituted an international express mail service, which was highly welcomed by its patrons. The service is now in operation with 30 countries and territories, such as Japan, the United States, Canada, Great Britain, France, the FRG, the Netherlands, Australia, Singapore and Hong Kong. Incoming and outgoing mail amounts to 160,000 pieces annually.

Electronic mail is an advanced form of communication, available now in only 20-odd countries of the world. In China, preparations for the use of electronic mail are basically complete, and this service will begin in October this year,.

With regard to international telecommunications, China's infrastructure has been greatly improved. China now has four satellite earth stations. Shanghai operates a Pacific Ocean earth station, Beijing operates a Pacific earth station and two earth stations for the Indian Ocean. The submarine cable that existed in the past between China and Japan will be restored by 1986. Guangzhou and Hong Kong are connected by a land cable as well as by a microwave system. The international export bureaus of Beijing and Shanghai have installed programmable telex exchanges with 2,000 and 1,000 lines, respectively. Programmable international telephone exchanges and automatic telegram relay equipment will be installed and available for use within this year. By installing the above-mentioned equipment China has established direct communication circuits with 46 countries and territories.

At present China has instituted such international telecommunication services as telephone, telex, public telegraph, phototelegram, public express facsimile phototelegram, subscriber phototelegram, and data search services. Among these services, telephone services have increased at an annual rate of 52 percent in recent years, and it is estimated that the annual increases during the coming years will be at the rate of 3 percent. China now has direct telephone links with 30 countries and territories, through 761 circuits. With certain countries and territories with large volumes of operations these services are semiautomatic, using the CCITT No 5 signal system. In recent years the volume of international telex service increased at the rate of 40 percent, with the number of users having increased to 2,100 and the international circuits having been increased to 600. All international telex services throughout the country have automatic exchanges.

Since 1982 China has instituted public phototelegraphic and facsimile telegraphic services with Japan, Singapore and Hong Kong, a service that has increased by leaps and bounds. Not only will new connections be established for this service in Asia during this year and next year, but it will be also extended to Europe and North American.

Furthermore, China has employed far-end concentrator instruments in 1983 to link up, through the Italian data exchange network, for information retrieval services, and is now connected with the American TYMNE and TELENET data networks. Similar connections are expected to be established within a year or two with certain other countries.

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COOPERATION MEETING WITH GDR HELD IN BERLIN

OW290405 Beijing XINHUA Domestic Service in Chinese 0755 GMT 27 May 86

[Article by correspondent Zhou Houji]

[Text] Berlin, 26 May (XINHUA)--The China-Democratic Germany Commission for Economic, Trade, Scientific, and Technological Cooperation held its second meeting here today. The commission, established in April 1985 by a governmental decision of the two countries, held its first plenary meeting in Beijing. In their speeches at today's meeting, Qin Zhongda, chairman of the Chinese Government delegation and of the Chinese side of the commission and minister of chemical industry, and Guenther Wyschofsky, chairman of the Democratic German Government delegation and of the German side of the commission and minister of chemical industry, expressed satisfaction with the work and achievements of the commission in the past year or so since its establishment. Both sides pointed out that the 1986-1990 agreement for exchange of commodities and payments signed by the two countries in 1985 had laid a good foundation for a long-term, stable development of economic and trade relations between them. The two sides also held that there is still a tremendous potential for economic, trade, scientific, and technological cooperation between the two countries.

It is reported that the volume of trade between the two countries in 1985 increased 60 percent over that of 1984. Their volume of trade will go up by 33 percent this year over last. The volume of trade indicated in the contracts the two sides have signed so far accounts for 76 percent of the total projected for this year. There is also smooth cooperation between the two countries in science and technology, geological prospecting, and providing labor service.

Ma Xusheng, Chinese ambassador to Democratic Germany, attended the meeting. The Chinese Government delegation headed by Qin Zhongda arrived here on 25 May for the meeting.

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CSO: 4006/1101

CLOTHING EXPORTS CONTINUE TO INCREASE

OW091016 Beijing XINHUA in English 0939 GMT 9 Jun 86

[Text] Beijing, Jun 9 (XINHUA)--China's clothing exports continue to grow. But quality must be improved to increase them more, INTERNATIONAL BUSINESS said today.

The government semiweekly reported that clothing exports for the first five months of this year had a value of 550 million U.S. dollars. Exports for all of 1985 had a value of 1.02 billion dollars.

Clothing is second only to crude oil as China's top export, according to the paper, and sales overseas have grown substantially over the past decade.

The paper quoted Zhong Quansheng, deputy manager of the Chinese Textile Import and Export Corporation, as saying the country exported 4.36 billion U.S. dollars in clothing between 1981 and 1985, 129 percent more than in the previous five years.

China began making clothing for export in the 1950s, but sales were slow, the paper said. Aside from politically-motivated import barriers, Chinese clothing did not follow international fashion, and so was imported primarily for sales by street vendors and discount stores.

Since then, working with foreign companies, the country's foreign trade departments have retooled their clothing factories and have improved their products' quality and updated their design, the paper said.

As a result, more than 1,000 clothing factories in China have customers in a total of 130 countries and regions, and one-third of them make clothes for higher-priced stores.

Still, Zhong said, China's clothing exports account for only three percent of the world's 50 billion U.S. dollar market.

According to the paper, "China wants to export more quality clothes and to increase their variety, and to do this the country is prepared to have more flexible trade arrangements with foreign firms."

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CSO: 4020/351

FUJIAN IMPORTS OPTICAL FIBER EQUIPMENT FROM ITALY

OW080259 Fuzhou FUJIAN RIBAO in Chinese 26 May 86 p 1

[Article by FUJIAN RIBAO reporter Chen Huibo]

[Text] A contract was signed at the restaurant of Fuzhou's foreign trade center on 25 May between the Fujian Administration of Posts and Telecommunications and Italy's (Taletera-Pirelli) company on the import of equipment needed for the completion of the first-stage Xiamen-Nanping optical fiber telecommunications project.

The first-stage Xiamen-Nanping optical fiber telecommunication project (Nanping--Yongan sector) calls for the import of 1,920 circuits x 2 optical fiber cable and the equipment for the relative photo cell converter system. The provincial administration of posts and telecommunications finally decided to import the equipment from the (Taletera-Pirelli) company under Italy's Fiat Group.

Attending the contract-signing ceremony were You Dexin, vice governor of Fujian; and Lin Jinquan, head of the provincial administration of posts and telecommunications; as well as Italian Ambassador to China Marras, and (Kasoli), manager of the International Department of Italy's Fiat Group.

Before the ceremony began, Xiangnan, You Dexin, and He Minxue met with Ambassador Marras and Mr (Kasoli). (Kasoli) and the other Italian guests also discussed issues of cooperation with the comrades from the provincial economic commission and the provincial commission for foreign economic relations and trade.

The set of optical fiber telecommunications equipment from Italy is expected to arrive after September 1986. It will be installed, andput into operation in August 1987.

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CSO: 4006/1104

GUANGXI INCREASES 1985 EXPORT VOLUME

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 47, 25 Nov 85 p 18

[Article by Ye Chuyang [0673 0443 7122]: "Guangxi Develops Foreign Trade"]

[Text] Favorable Tendency in This Year's Imports and Exports

This year, Guangxi's imports and exports show a distinctly favorable tendency as compared with last year. By 10 November the commodity export plan for the whole year had been overfulfilled. The value of all exports amounted to U.S.$301.85 million, which is 101.6 percent of the annual plan and an increase of 15 percent over the figure for the corresponding period last year.

Guangxi exports more than 2,500 kinds foreign trade, consisting of almost 5,000 items. Items that registered comparatively larger increases this year were granulated sugar, aniseed, the Western-type medicine levamisol, cassia bark, and fabric blends; export volume also increased considerably in fresh fruit and vegetables, live animals, rosin and tin. Among traditional staple exports that proved hot-selling items there were eight that were worth more than $10 million, namely high-quality rice, live pigs, canned goods, tea, rosin, bambooware, tin, and barite. Five items were of a value between $5 and 10 million. This year, several export items were also newly introduced into the international markets; they showed good competitive potential and sold well. Such items were the famous "Nixing" handcrafted ceramics; the "phoenix pots," a new product of which the United States placed an order for 400,000 pieces at once. This year the export commodities mix has also undergone a change, in that the proportion of industrial and mining products rose to 67 percent, and the proportion of agricultural and sideline products, native and special products has declined from the former 50 to 60 percent to the present 33 percent.

By now Guangxi has established trade relations with 73 countries and territories, and in recent years its trade with the United States, Japan, the EEC and the Third World has been expanded. Exports to Hong Kong and Macao during the period from January to October this year exceeded $120 million.

Effective Measures Used in Developing Foreign Trade

In order to develop its foreign trade, Guangxi has exerted efforts in various direction.

Guangxi has strengthened its leadership, improved its organizational system, adjusted the leading groups, trained key personnel, and steadfastly kept up its reforms. Whereas there were only specialized corporations dealing in grain and oil, local specialty products, animal by-products, industrial products, metals and mining products, textiles, chemicals, and imports, since last year, Guangxi has established specialized import-export corporations for products relating to light industry, arts and crafts, medicine and health care, base construction, machinery, nonferrous metals, and packaging. Furthermore, these corporations were given greater autonomy in concluding their own deals. At the same time, Guangxi selected, in line with the standards of the four modernizations, young progressive cadres for key leadership positions, carried out readjustments of the leading groups on a large scale, set up training classes in foreign trade schools to raise the quality of its cadres. The province also stressed the role of the Guangxi Foreign Trade Promotion Commission as a key link in the development of the province's foriegn trade activities.

Guangxi augmented its overseas foreign trade organizations and perfected its information network. For example it improved the organization of the Guijiang Enterprises Corporation in Hong Kong, set up a trade center in New York, and stationed a trade promotion team in France.

Guangxi allowed basic level and commodity supply units the benefit of retaining a large portion of foreign exchange, guaranteeing cash redemption, thereby inspiring enthusiasm among the departments concerned.

While firmly maintaining the principle of a united stand toward the outside world, Guangxi made equal efforts in developing exports within as well as outside of the plan; by the end of October agency exports had reached $50 million.

Guangxi strengthened control of export commodities. It carried out a system of controlling staple exports but allowing freedom in sundry exports to follow market conditions. It reformed the traditional method of procurements by changing single-line circulation, centralizing procurements through multichannel circulation, and procuring directly and from disparate sources. This reform increased the vitality of foreign trade enterprises and attained excellent results, so that province-wide procurement of commodities for export rose 29 percent compared with that of the same period last year. In these export procurements, there was a 65 percent increase in medicines, a 62 percent increase in light industrial goods and a 47 percent increase in goods in the category of native produce and animal by-products.

Guangxi employed such methods as "using imports to produce exports," "three imports and one compensation" [three forms of import processing and compensation trade] as well as integrating imports with exports, linked procurements, barter, joint operations by enterprises in the same line of business, importing technologies and improved varieties, supporting production, having products upgraded and updated, increasing export commodities that have a good market and increasing the supply of export goods.

Guangxi developed its advantage in natural resources and aggressively ran export commodity bases. For the last 2 years, with the support of the Ministry of Foreign Economic Relations and Trade, Guangxi allocated large sums for the construction of export production bases. Twenty-one export bases for the production of single commodities were set up for high-quality rice, pigs, chickens, beef cattle, black tea, cassia bark, fennel oil, and oranges, while a comprehensive production base was set up in Yulin Prefecture. Last year the bases provided commodities amounting to a total value of more than 190 million yuan, which represented 31 percent of the total value of export procurements. Export procurements from the Yulin comprehensive base amounted to more than 170 million yuan, which overfulfilled the plan by 12 percent.

Guangxi has adopted flexible methods of carrying out business such as to invite visitors in and to seek opportunities abroad. This year, Guangxi exhibited commodities at exhibitions in France, Italy, and Greece and other countries. In March, Guangxi held an export commodities exhibition and trade in Macao, promoting sales worth more than $20 million. At the end of November, a large-scale and comprehensive exhibition of Guangxi export commodities was held in Hong Kong, where negotiations on imports were also held. The province also held various small trade fairs, negotiations, and activiely participated in the Guangzhou Trade Fair. At the Guangzhou Autumn Trade Fair, just concluded, Guangxi transacted business worth more than $50 million. This year foreign parties have exhibited their commodities in Guangxi on six occasions. Recently the Japanese city of Kumamoto held a large-scale exhibit in Nanning. Over 70,000 people visited the fair and concluding transactions valued at over $400,000. Widespread contacts have broadened vision, brought exchange of information, established friendly relations, and opened up new markets.

Following the shift from a closed to an open economy, Guangxi's import trade has also seen substantial development, and the scope of imports is expanding almost daily. Industrial and agricultural production and the import commodity mix underwent some basic changes. In the last year of the Fifth 5-Year Plan, over $12 million in foreign exchange was spent on imports; last year this figure was somewhat over $87 million. This year orders for import goods reached the sum of more than $170 million, with $110 million having been delivered already. These figures represent an increase of 11 percent and 4.5 times, respectively, compared with last year's. The import commodity mix has changed from one in which steel products and chemical fertilizers predominated to one in which machinery, instruments, technology, and critical raw and auxiliary materials predominate.

Although there has been steady development in Guangxi's import and export trade, the scope of Guangxi's exports does not yet match the exceptional geographical advantages and abundant natural resources of the province. Last year, the total value of procurements for foreign trade accounted for only somewhat over 3 percent of Guangxi's gross value of industrial and agricultural output, and for approximately 1.3 percent of the total foreign trade procurements of the whole country, placing it into 17th position. The total value of exports accounted for 1.3 percent of the total value of China's exports, placing Guangxi into 15th position, while, furthermore, a considerable portion of its exports were primary products and roughly processed products. This explains the great disparity with the national levels, but also indicates that there is large potential and very favorable conditions for an expansion of Guangxi's exports.

9808 CSO: 4006/464

FOREIGN TRADE AND INVESTMENT

GOVERNMENT SAID KEEN TO SELL HAINAN GAS TO HONG KONG

HK030350 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 3 Jun 86 p 1

[Report by Olivia Sin]

[Text] Hong Kong and China Gas Co Towngas) will start preliminary negotiations with China later this month over the purchase of natural gas from an offshore gas field south of Hainan Island.

A team of Chinese officials from the state-owned China Offshore Natural Gas Utilization Co. in Guangzhou will arrive soon in Hong Kong for the talks.

Towngas managing director, Mr Malcolm Matthews, said the talks will center on the long-term sales contract which has been proposed by China.

The talks will include such issues as the price of the gas, the reliability of supply, the specification of the gas and back-up supplies in case of emergency.

Mr Matthews said Towngas is interested in the offer, but has not yet decided to switch from its naphtha-based towngas to natural gas.

He stressed the company will not accept the offer unless it promises economic advantages to its customers.

Towngas has completed most of the financial and technical studies relating to the purchase of natural gas.

"But we have to find out more about the quantity of gas we need (in a couple of decades) and its pricing," he said.

The US$500 million gasfield off Hainan is developed jointly by the China National Offshore Oil Corp. (CNOOC) and the U.S.-based Atlantic Richfield Co.

A subsidiary of CNOOC, the China National Natural Gas Utilization Co, has signed a contract to buy the bulk of the gas produced from the field for 20 years.

China is therefore keen to sign similar long-term sales contracts with both of its domestic clients and Towngas.

Towngas carried out research to gauge its customers' opinion on the use of natural gas at the end of last year.

Mr Matthews did not give details of the results.

He said a proposal will be submitted to the Towngas board of directors over the purchase of natural gas when all the necessary data is available.

Some local catering business which use towngas have voiced concern over the cost of converting their cooking facilities and the possible loss in business hours.

Mr Matthews said such businesses will not have to shoulder the conversion cost. The conversion work will be done by Towngas.

Meanwhile, intensive preparation work is being undertaken by China to prepare for the development of the gas field and the downstream activities.

China will soon complete the drilling of two appraisal wells to evaluate the gas field's reserves.

The field estimated to hold 90 billion cu m of gas is said to be one of the biggest offshore fields in the world.

It will come on steam by 1989 and its annual production capacity will reach a peak of 3.15 billion cu m a year about three years later.

China plans to build a 1,000 km gas pipeline from Hainan to Shenzhen in a bid to solve the chronic energy shortage in Guangdong Province.

The California-based Fluor Engineering Group has been awarded the contract to act as the project services contractor for the pipe-laying work.

Mr Edward Hsia, the president of Fluor China Inc, a subsidiary of the group, said the company is already discussing with the Chinese the route of the pipeline, its technical specification, the financial requirements and the procurement of necessary supplies.

The contract was awarded in March and the plans are expected to be completed by the end of July.

Fluor is specialised in engineering, construction and the production of mineral resources.

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CSO: 4020/351

FOREIGN TRADE AND INVESTMENT

HONG KONG PAPER REPORTS PROPOSAL TO BOOST ECONOMIC EXPANSION

HK080412 Hong Kong SOUTH CHINA SUNDAY MORNING POST (SUNDAY MONEY supplement) in English 8 Jun 86 p 1

[Article by Carolyn Leung]

[Text] Three young entrepreneurs have had a good hearing in Beijing for their scheme to raise U.S.$200 million for China's economic expansion.

The plan appears to be very simple--for every $1 China invests in the fund-raising scheme, the trio will put in $5 to expand the capital pool into $6.

When China forms a joint venture with a foreign partner in investment projects, the capital pool will be expanded to $12 as the foreign partner has to put in $6 as well.

The $12 dollar capital can then be expanded into $48 according to the gearing ratio of 3 to 1. The gearing ratio is a balance between a company's debt and equity.

When the U.S.$200 million is raised the money will be used to finance China-related projects.

The men behind this somewhat unusual idea are David Tang, managing director of Cluff Investments and Trading Ltd; Arthur Lai, the founder and the chairman of Chin Tung stockbroking firm; and Stephen Funk, chairman of the First Generation Co which is publicly listed on the Vancouver Stock Exchange.

Cluff Investments and Trading is a member company of the Long-based Cluff Oil Plc. The company has signed two contracts with China to act as the exclusive trading and investment agent for Ningbo and Wenzhou last year.

Cluff Investments and Trading is also an agent for Virgin Records (Boy George and Culture Club) in China.

Chin Tung is one of the top stockbroking firms in Hong Kong and First Generation has raised many stock issues for China-related projects over the years.

First Generation also has a majority stake in a Hong Kong-based company called Welton Electronics which has already set up an electronics factory in Shenzhen.

During a visit to Beijing last week, the trio relayed their plan to senior Chinese officials including Mr Gu Mu, a state councillor; Mr Tian Yinong, vice minister of the Ministry of Finance and Mr Cui Yanxu, vice chairman of the Bank of China board.

"We are very committed to China and we have high hopes of China's development," said Mr Tang. "China has decided not to spend too much money and not to borrow any money because of its restraints in foreign exchange reserve.

"Our plan is to convince China to spend a small amount of money and we can magnify its five times. Since the fund is very big, China has no need to raise funds to finance its projects."

After the U.S.$200 million is raised, a joint venture management company will be set up to manage and invest the fund.

"It is very difficult to get a quick return from investment in construction and manufacturing projects, so the management company will also invest in trading activities to generate a constant cash flow," said Mr Tang.

"It is our hope that China's import and export corporations will also put their money into this fund-raising scheme.

"The management company will provide capital injection into the import and export corporations if it wants to boost its production for export.

"Many products in China can be exported if the production capacity is big enough."

According to Mr Tang, they will continue negotiations with China although the government is very cautious about the scheme.

"If China accepts the plan, we can raise the fund very quickly," he said: "It will be the most revolutionary way of raising funds for China."

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CSO: 4020/351

FOREIGN TRADE AND INVESTMENT

BRIEFS

PLANE DEVELOPMENT AGREEMENT WITH FRG--Bonn, Jun 6 (XINHUA)--China and Federal Germany today signed an agreement on cooperation in joint development of a new plane MPC-75 at the Hanover International Air Show. The project was worked out by Federal Germany's largest aerospace company Messerschmitt-Boelkow-Blohm (MBB) and the China Aero-Technology Import and Export Corp (CATIC). It was reported that the two sides have already begun feasibility studies and the first commercial flight of the MPC-75, a 85-120 seat regional passenger plane capable of flying a distance of 2,800 kilometers, could take place in 1995 if design and development work proceeded well as expected. MBB and CATIC also agreed to set up a joint office in Hamburg to coordinate their work and establish contacts with potential customers. "We are both convinced there is worldwide demand for this type of plane," said MBB's chairman Hanns Arnt Vogels. [Text] [Beijing XINHUA in English 0623 GMT 7 Jun 86 OW] /6662

LEASING BUSINESS VOLUME--Beijing, Jun 6 (XINHUA)--Leasing in China is rapidly becoming a major industry with sales in the billions of yuan some five years after the country's first two leasing companies opened. According to a report in today's overseas edition of the PEOPLE'S DAILY, 40 leasing companies are operating in China, including 13 joint ventures using Chinese and foreign capital. The other 27 leasing enterprises are state-owned. Altogether, the paper said, the 40 companies have signed 1,100 leasing contracts in China and overseas worth 800 million U.S. dollars. The companies' range of services has expanded as fast as their business volume, it said, with new offerings including patent licenses, computer software, used industrial equipment and equipment assembled into complete units. Some Chinese leasing outfits have begun competing in the international leasing market, generating needed foreign exchange, the paper reported. The Sino-Japanese China-Orient Leasing Comapny, for example, has leased an 18,000-deadweight ton carrier to a foreign company, it said. The ship was built in Guangdong Province in southeast China. [Text] [Beijing XINHUA in English 0543 GMT 6 Jun 86 OW] /6662

SHANDONG LEAD IN COTTON--Shandong Province, which plans to export 150 million kilograms of cotton this year, now earns more foreign currency from cotton than any other province in China, the newspaper ECONOMIC INFORMATION reported. Contracts for exporting 147 million kilograms of cotton have already been signed, the paper said. China has long been a major cotton exporter to Asia and Eastern Europe and Chinese cotton has always been popular among foreign clients for its variety and different grades. Shandong is one of six cotton export bases in China. Last year, the province exported 82 million kilograms of cotton, 24 per cent of the country's total cotton exports, and earned $105 million in foreign currency. Shandong has improved the quality of its cotton and consequently its reputation in the international market by switching to better varieties, and the paper reported that three varieties produced in the province were now among the best in China. In 1983, the province exported only 6.1 million kilograms of cotton, 4.8 per cent of the country's total. Exports soared in 1985 when the province began to grow better strains in 90 per cent of its cotton producing areas. [Text] [Beijing CHINA DAILY in English 7 Jun 86 p 2 HK] /6662

CSO: 4020/355

SPECIAL ECONOMIC ZONES

CURRENT PROBLEMS FACING SHENZHEN SEZ

Hong Kong CHING PAO [THE MIRROR] in Chinese No 1, 10 Jan 86 pp 24-26

[Article: "What Are the Problems Currently Facing Shenzhen? Conversion Between Publisher of CHING PAO and Secretary-General Zhou Erkang"]

[Text] On the afternoon of 9 December 1985, in room 442 of the Overseas Chinese Building in Shenzhen, Mr Xu Simin [1776 0934 3046], publisher of CHING PAO, had a frank discussion with Secretary General Zou Erkang [6760 1422 1660] of the Shenzhen City government about the problems currently facing Shenzhen. Also participating in the conversation were Director Luo Miao [5012 1181] of the SHENZHEN TEQU BAO and Mr Wang Yiming [3769 0001 2494] (a Taiwan businessmen, the sole investor and proprietor of the Cuihu Holiday Village).

Will Issuing "SEZ Currency" Bring Good or Harm?

Xu: At the National People's Political Consultative Conference in 1985, Mr An Zijie [1344 1311 0094] supported issuing "SEZ currency," but Mr Li Zisong [2621 1311 6139] felt that "the more kinds of currency, the more trouble." I support issuing "SEZ currency" on the condition that all other currencies are withdrawn. At first, Prof Qian Jieju [0578 1367 7467] supported issuing it, but recently, after making a study trip to Hong Kong and exchanging opinions with some bankers, he also feels that it needs to be reconsidered. For a period recently, arbitrage in Shenzhen was very prominent, although of course Shenzhen cannot bear the main responsibility. Every day 10,000 to 20,000 Hong Kong and Macao compatriots and 70,000 to 80,000 people from the interior arrive in Shenzhen. There is a considerable element among them engaged in black market currency deals and profiteering. Statistical information shows that in 1984 more than 7 billion yuan of domestic goods were exported to Hong Kong but the actual foreign exchange income was only 5 billion yuan. The more than 2-billion-yuan difference was "washed away" as "goods smuggled across the sea" and black market foreign exchange, or the money made was deposited in Hong Kong.

Zou: Looking at the development of the SEZ, by the end of the century, the city of Shenzhen will need to have brought in gradually about $7 billion in foreign investment. The characteristics of foreign funds are that they can enter and leave freely and fluctuate freely. China's economic system as a whole is turned inward, and the appropriate financial foreign exchange pulicy for this system is: RMB cannot be freely converted into foreign exchange.

We do not care how much foreign currency comes in, but we do control how much goes out. But this policy creates problems for SEZ's, which "focus on importing foreign investment." The more foreign investment there is, the more problems there are. For example, 80 percent of the products of a joint venture are sold overseas and 20 percent are sold domestically. Its raw materials and technology are also imported, paid for with foreign currency. In the past 2 years it has accumulated 7 million yuan in RMB. It is impossible to convert this sum into foreign currency, but the money cannot be used in China either; the money can neither be used or transferred.

Shenzhen is very close to Hong Kong and Macao; fishermen and farmers have trade deals with the outside, and in addition more than 80,000 people from Shenzhen are in Hong Kong. As a result, many Shenzhen residents get their hands on Hong Kong dollars, and with Hong Kong dollars they can buy foreign consumer items. In this situation, for a considerable period of time it will be very difficult to prevent the circulation of Hong Kong dollars. More important, the best we can do at present is to adopt transitional SEZ policies to respond to the importation of large amounts of foreign funds: three kinds of currency (Hong Kong dollars, foreign exchange certificates and RMB) will circulate simultaneously. Enterprises which bring in foreign exchange will not have to convert the foreign exchange. But following the growth of the SEZ, this does not help China politically or economically. Of course, the Hong Kong and Shanghai Bank and Charter Bank welcome the circulation of Hong Kong dollars in Shenzhen; since they issue Hong Kong dollars, this benefits them. But in regard to the national interest and considering the growth of the SEZ, the circulation of three currencies cannot last forever. That is why there is a plan to issue "SEZ currency," uniting the three currencies into one "SEZ currency." But this has been delayed due to a lack of agreement.

Xu: Including Shenzhen, how many hundreds of millions of Hong Kong dollars are estimated to be circulating in the several SEZ's?

Zou: For the first period it was calculated that in the Shenzhen market approximately HK$300 million were circulating while in the books there were still more. In this situation, we only crack down on illegal currency exchanges, such as black market currency deals at the train station.

Xu: In parts of Guangdong and Fujian which are the hometowns of overseas Chinese, some ordinary people specially "convert privately" RMB into Hong Kong dollars and hide them in trunks, thinking that they will keep their value. This is also black marketing.

Zou: We have previously analyzed cases of black marketing foreign currency; 65 percent of them involved people coming from the interior to Shenzhen to buy Hong Kong dollars at high prices and 30 percent involved people from Hong Kong coming to Shenzhen to get their hands on RMB and buy medicine and special local products, which they sold at a profit back in Hong Kong. This means that less than 5 percent of the criminals were actual residents of Shenzhen engaging in illegal sales activities. People talk about how bad all the profiteering in Shenzhen is, but it really is not done by Shenzhen people. Of course, for quite a long period of time, there have been problems of lax management of industrial and commercial administration and ineffectual crackdowns; this fault is already being corrected.

Xu: Aside from the illegal activities already mentioned, Shenzhen also has the problem of state-run units buying and selling things for a negotiated price in foreign exchange.

Zou: The city is now establishing a "Foreign Exchange Regulation Center" which will centrally manage such matters. To sum it up, currency is a complicated problem.

"Providing a Way Out" To Resolve the Currency Problem

Wang: Taiwan gives us a solution. When people enter Shenzhen, they change their money into RMB; foreign currency cannot circulate. When they leave the country, leftover RMB is converted back into foreign currency. Wouldn't that work?

Xu: Hong Kong and Macao compatriots and overseas Chinese have many relatives on the mainland. If someone brings 10,000 yuan into the country, he might spend it all in a month and then leave the country. But his relatives and friends within China might, as is common, collect, 8,000 yuan which he would convert into foreign exchange at the border and take away with him. On paper he has used 2,000 yuan; on the surface it is "legal."

Zou: This is called "arbitrage" it is easy to do but it won't work. (Xu: Black marketing can only be stopped if the official foreign exchange list price does not differ too much from the black market price.) The problem in Shenzhen which most urgently needs a solution is the free entrance and exit of foreign funds after they have been brought in. The original idea was to replace other currencies with convertible "SEZ currency," which could be freely exchanged for foreign currency, American dollars, British pounds, Hong Kong dollars, but not for RMB (Xu: So you still intend to issue "SEZ currency"). In other words, the special policy which "focuses on bringing in foreign funds" requires special financial foreign exchange policies adapted to it. When the former is "special" but the latter is not "special," we cannot do the job right. We are not merely keeping our eye on the market question of those 200 to 300 million; the big question is how best to bring in large amounts of foreign funds, which affects how we can realize the general policies for running SEZ's.

We have already made the currency problem clear to the Central Committee. If we cannot issue "SEZ currency," another good method is fine. We cannot always be debating side issues such as "many currencies cause much trouble"; people are always criticizing the currency mess but they don't come up with feasible solutions. Somehow we have to come up with a solution.

Issuing a kind of currency is always a process. We imagine that in the first stages of issuing "SEZ currency," the central bank can make the effort to support it for a period of time; with economic growth in Shenzhen, it can later gradually let go.

Are the Many "Windows" in Shenzhen Good or Bad

Xu: Recently everyone had been coming to Shenzhen to set up "windows"; is this another factor leading to the confusion?

Zou: In general, it has worked out fairly well for the first rank of administrative in the central government such as the ministries and the first rank of administrative units in the provinces and cities to come set up "windows" in Shenzhen. For example, ministry-run units, such as the Industrial Trade Center, Aihua, and Huaqiang, have played a good role in bringing technology and funds into Shenzhen. The great majority of cases of legal offenses and profiteering have been in units below the prefectural level, especially below the county and commune level, and have been due to lax management. The situation has gotten better during this period of ractification, and after foreign exchange is in balance, it will gradually get on the right track. (Xu: The crux of the matter is still that there are too many "windows.") That is why there is the rectification.

Xu: Too many "windows" creates a serious problem of smuggled goods.

Zou: In fact, the problem of smuggled goods cannot be considered Shenzhen's problem.

Xu: But it is precisely by way of Shenzhen that many smuggled goods flow into Hong Kong and overseas. To give a small example, for the "Dadi" brand shirt sold in Chinese products outlets in Hong Kong, the cost is more than HK$20 and it retails for more than KH$30. On the Shenzhen market it is sold for 7 yuan. When Hong Kong people come to Shenzhen, by changing HK$10 for RMB on the black market, they can buy a "Dadi" brand shirt exactly like that sold in the Hong Kong Chinese product outlets. This means that if Hong Kong people coming to Shenzhen bring back just two "Dadi" brand shirts to Hong Kong, they will have earned the cost of their roundtrip train fare. This is just small-scale personal selling. The serious problem is the "windows" of state-run units crossing the border ever so properly and then attacking the Hong Kong Chinese products market with "smuggled goods."

Zou: The Kowloon customs is directly affiliated with the General Customs Office; the city of Shenzhen has no control. In addition there are the sea routes, which also are not controlled by Shenzhen. In the past there was no permit system for exporting, and no quote system. Now that the question has been raised, a permit system has been established and customs is starting to control things.

Xu: Originally Shenzhen had more than 10,000 people from Hong Kong, Macao and the interior coming in daily. Has this been greatly reduced now?

Zou: This figure refers to festivals and holidays, usually there aren't so many, so now the market is a little depressed. (Xu: Can this kind of depression be considered healthy?) We feel this shouldn't have happened in the first place; the changes in attitude and policy toward the SEZ in the recent period have had an effect. The wait-and-see attitude adopted by many foreign and Hong Kong businessmen toward investing in Shenzhen is a problem. (Xu: Is the decline in the number of people coming in from the interior carrying big bundles of RMB a specific reflection of the causes of depression?) Of course, the less of this the better.

Is the "Second Boundary at Shenzhen" in Effect?

Xu: If the second boundary as originally conceived is put into effect, will Shenzhen become even more depressed?

Zou: ; There is a conflict here. As originally conceived, "two boundaries" would divide the SEZ from the non-SEZ, in order to make the SEZ even more open. Within the first boundary, except for tobacco and liquor, everything would be duty-free, the same as in Hong Kong, and except for drugs, weapons, and pronographic magazines, the border-crossing procedures would be simplified, facilitating people going back and forth. But due to the lagging inability to resolve the currency problem, it has been set aside. We estimate that next year we should be able to gradually implement it; this is being considered as a part of developing overall policies for SEZ's.

Xu: It seems that some areas in the development of Shenzhen over the past few years are the opposite of what was originally envisioned, and that it is necessary to start all over from scratch.

Zou: At the outset we too were unclear about this concept of "SEZ," and only later did we clarify it as something "focusing on bringing in foreign funds, establishing joint ventures and foreign-owned enterprises, selling products overseas, and market regulation." This distinguishes between SEZ's and the interior. At the same time SEZ's serve as four "windows": knowledge, technology, management, and policies toward the outside world. When Premier Zhao came to visit we added the "two radiations," namely, products going out and funds and technology coming in. The role of "four windows and two radiations" is intended to serve the entire four modernizations.

Xu: Could we sum it up as earning foreign exchange: not much outside foreign exchange has been earned, but a lot of China's foreign exchange has flowed out via the "windows." (Zou: We really haven't used much of the state's foreign exchange.)

Zou: Currently all foreign investment enterprises focus on exporting, and do not need any foreign exchange subsidies from the government; every year they hand over foreign exchange to the Shenzhen government.

We don't agree with the idea of changing Shenzhen's form. Before Shenzhen (Bao'an County) became an SEZ, the annual output value from industry and agriculture was only 70 million yuan; the economy was sealed-in and unquestionably was directed inward. In 1980 the SEZ was formed and it started to develop towards the outside. Now, ever year $80 million worth of just agricultural products and byproducts are exported. Although there is a gap between the 40 percent of industrial products sold overseas and the goal of 70 to 80 percent, since we practically started from zero and have gone step by step in opening up to the outside, it isn't a problem of changing the form.

As for the matter of earning money, this is commercial trade of mutual benefit; since Shenzhen is a part of the interior, this kind of commodity exchange relationshp will continue in the future, and it is very difficult to say that one side earns money while the other side loses out.

In the past few years, Shenzhen, acting on its own and with the assistance of the interior, has put a few big buildings, shopping malls and cultural facilities, with the goal of creating a good environment for investment and attract foreign funds. So it isn't simply developing methods for city construction and making the city prosperous.

What Advantages Does Shenzhen Itself Offer?

Zou: Shenzhen still has a "geographical advantage" which the interior can't duplicate: it is very close to Hong Kong and has the advantage in developing the market in fresh goods, such as milk, vegetables, egg products, pork, beef, mutton, live chickens, flowers and plants, etc. The state has called on us to develop this; after being produced in Shenzhen, the goods are very fresh when shipped to Hong Kong and can earn money. Is it economical to transport pigs from Hunan to Hong Kong, or cows and sheep from Nei Monggol? The foreign exchange earned by the interior doing this is relatively low.

Some time ago Hong Kong reacted against the increase in vegetables and fish from Shenzhen. This is mainly because there needs to be reform and adjustment in the assignment of quotas by the Ministry of Foreign Economic Relations and Trade. For example, Shenzhen makes money on raising chickens; before the SEZ was set up, in 1 year it would export 30,000 chickens; now (1985) in 1 year it can produce 10 million chickens but its 1985 quota is 7 million. If chickens are shipped from Heilongjiang to Hong Kong, it doesn't pay. Of course, the original exporting provinces whose foreign exchange incomes are affected by the reduction in exports can receive certain compensation in foreign exchange from Shenzhen by going through the economic and trade system. This way everyone benefits. At present, when we aren't able to make full use of our advantages, the result is that I squeeze you out and you squeeze me out--nobody benefits.

Xu: This is where the problem lies.

Zou: With the big program on Hainan Island, what about Shenzhen? We feel that the biggest difference between Shenzhen and Hainan Island is in the attitude of the governments. The Hainan Island government made a big mistake when it decided to deal in car sales; lower levels imitated their superiors, and it developed beyond the point of no return. The Shenzhen local government has consistently opposed profiteering activities, and every year we have to handle a few such cases. But dealing with these cases doesn't mean that we've put a stop to illicit buying and selling; profiteering is a complex social phenomenon, connected with the commodity-oriented society; it won't go away just because you oppose it. Therefore, for a long time we won't be able to loosen control; we will regularly have to crackdown and deal with it.

Xu: It seems that since rectification and restructuring, the development of Shenzhen is basically sound; we can make this conclusion.

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SPECIAL ECONOMIC ZONES

DIRECTION FOR SHENZHEN SEZ DISCUSSED

Hong Kong CHING PAO [THE MIRROR] in Chinese No 1, 10 Jan 86 p 87

[Article by A Gui [7093 2710]: "Which Direction for Shenzhen SEZ?"]

[Text] Shenzhen SEZ is just a speck of land located between Hong Kong and China's interior. The easiest way for it to earn money is to develop as a transfer point for trade and use price differences between domestic and foreign markets. But because to its south is the commercially highly developed Hong Kong and to its north is a protected market, the Shenzhen SEZ economy cannot survive by concentrating on commerce; it can only focus on material production. Furthermore, Shenzhen SEZ only has 327.5 square km and no special natural resources, so there is not much growth potential in primary production (with the exception of fishing). It appears that the only course for economic development in Shenzhen SEZ is growth in and concentration on industry.

However, all Shenzhen SEZ has to offer is cheap land and labor and low tax rates, and the incomplete infrastructure, poorly qualified labor force, difficulty in cooperation among different trades, imperfect law, and low administrative efficiency have all greatly diminished what it has to offer. Bringing in advanced technology involves Shenzhen SEZ's ability to digest and absorb the technology as well as the question of economic results (under certain conditions, advanced technology is not necessarily able to achieve better economic results); more important advanced countries and regions, in order to maintain their own monopoly on technology, cannot export technology without any reservations; we must directly recognize this reality.

We can see that Shenzhen does not really have many options in choosing its path of economic development. What should it develop? How to develop? It is clear for all to see. Policy is forever making its mark on the growth of Shenzhen SEZ, which is indeed the product of policy. But this is really not the same as saying that it is possible to completely rely on subjective will to create a model for economic development; policies in accord with economic laws will greatly promote economic development, and conversely, policies which ignore economic laws will be barriers to economic development or will even lead economic development astray.

The internal and external objective conditions of Shenzhen SEZ show that one-sided emphasis on development of high-level science and technology is not at all the most ideal path. In terms of the stages inherent in economic development, Shenzhen SEZ, at least in the next 10 years, should not make capital- and technology-intensive industry the focus of development but should strive to attract intermediate technology.

Of course, attracting intermediate technology does not rule out introducing things from developed countries and regions, but more important yet is the exploitation of China's technical potential in every field. In the several decades of development since the war, China's technology has already reached a considerable level, and in many areas we rank among the first in the world. There is no harm in our considering primary use of Chinese technology, with the addition of Western science and management and the Hong Kong people's business flexibility, as the special characteristic of enterprises in Shenzhen SEZ. Compared to the total adoption of Western practices or Hong Kong method, this may better help enterprises in Shenzhen SEZ to survive and develop in the fiercely competitive environment of the international market.

Of course, in the long run, only high-level science and technology and technology-intensive enterprises can represent the future of Shenzhen SEZ; the period of transition from being labor-intensive to technology-intensive requires a gradually changing process. Therefore, from now on, when possible we should actively consider bringing in some advanced technology; we should not rely on just one method.

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SPECIAL ECONOMIC ZONES

SHENZHEN SURVEY SHOWS ECONOMIC PROGRESS

HK190900 Hong Kong SOUTH CHINA MORNING POST in English 19 May 86 p 9

[Article by Albert Chan, Ophelia Suen, and Julina Chan]

[Text] People in the Shenzhen special economic zone are seeking out Western-style brand name goods and costly electrical appliances.

Fast food, fashionable clothing and costly household appliances have also become common in the pioneer economic zone.

According to a survey conducted by the JOURNAL OF TECHNOLOGY INTRODUCTION, a bimonthly magazine published in Shenzhen, most households now have up-to-date appliances such as colour television sets, refrigerators, washing machines, radio cassette recorders and hi-fis. Electric fans are also popular.

The survey was conducted with a sample of 100 households last year and the results were published in the last issue of the magazine.

They survey found that Shenzhen residents have switched their diet from staple foods to high nutrient, low fat, high protein food.

Other major survey finds were:

Average number of members per household: 4.07.

Average number of members working per household: 2.28.

Average monthly income per household member: 161.26 yuan (about HK$403.15).

Proportion of income derived from salary: 86.9 percent.

Porportion of income derived from bonuses: 17.2 percent [figures as published]

Average monthly consumption per household member on food: 70.88 yuan (about HK$177.20).

Proportion of staple food in total food consumption: 11.4 percent.

Proportion of other food in total food consumption: 80.8 percent.

Tobacco, alcohol and tea in total food consumption: 7.8 percent.

Number of colour TV sets per 100 households: 80.

Number of black-and-white TV sets per 100 households: 26.

Number of refrigerators per 100 households: 69.

Number of washing machines per 100 households: 69.

Number of radio cassette recorders per 100 households: 72.

Number of electric fans per 100 households: 213.

Number of bicycles per 100 households: 168.

Number of watches per 100 households: 289.

Number of cameras per 100 households: 25.

Monthly expenditure per household member on clothing: 12.27 yuan (about HK$30.68).

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SPECIAL ECONOMIC ZONES

REPORT EXAMINES PREPARATIONS FOR SHENZHEN AIRPORT

HK040344 Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) in English 4 Jun 86 p 1

[Article by Olivia Sin]

[Text] Shenzhen has begun preparations for the construction of a long-awaited airport even though the project has not yet been formally approved, according to the city's vice-mayor, Mr Zhou Xiwu.

Speaking after yesterday's ceremony to mark the official release of the feasibility study on the airport, Mr Zhou said a company, Shenzhen Airport Corp. will be set up in the special economic zone soon to draw up detailed plans for the airport.

The preparatory work began after Shenzhen's Mayor Li Hao visited Beijing last month to lobby state planners' support for the airport project.

Mr Zhou said Mr Li reported to various departments under the State Council on the feasibility of building an airport in the special economic zone and "pushed" for its realisation.

"The message brought back by Mr Li is that leading officials from the various organisations under the State Council have agreed that Shenzhen can start preparatory work on the airport even though the project is not yet formally approved," said Mr Zhou.

He could not say when the green light for the project will be given. "I hope it will come as soon as possible."

Before Mr Li was appointed mayor of Shenzhen last year, he was deputy secretary-general of the State Council and is said to have "friends" in various key departments under the council.

But observers yesterday cautioned the preparatory work may prove futile if the project failed to get Beijing's blessing.

Mr Zhou, who heads the Shenzhen International Airport Feasibility Research Unit, said the preparatory work includes land acquisition and airport design.

The latter is being done by officials from the Civil Aviation Administration of China (CAAC).

The airport, if approved, will be built in western Shenzhen in the area known as Huangtian, about 30 km from the city centre.

The SOUTH CHINA MORNING POST had earlier reported that senior Shenzhen officials went to Beijing last month to lobby for financial support from central leaders.

Although Beijing has verbally approved the airport proposal, the project is yet to be included in China's Seventh 5-Year Plan (1986-90).

According to the study report, the official nod is necessary to obtain state funds, which will account for half of the total expenditure, estimated at 1.47 billion yuan (HK$3.67 billion), for building the airport in three stages.

The study said the granting of state funds will help lower the construction costs by eliminating the need to shoulder heavy interest payments.

According to the study, the ideal financing method would be for the government to provide half of the 1.47 billion yuan, with the remainder raised by loans in both yuan and foreign currency.

Breaking down the financial requirement for the project, the study said the airport may require about 200 million yuan worth of foreign exchange and 150 million yuan in state subsidy by 1990.

The requirement for funds will rise to 525 million yuan in state subsidy and 225 million yuan in foreign exchange by the year 2000.

The study said the developers can raise foreign exchange by floating a bond or raising loans and/or forming joint ventures.

Mr Zhou said initially, approval is being sought to build the first phase, which will cost 200 million yuan.

Depending on future needs, the special economic zone will pally for permission to build the other two stages.

The study, including detailed financial and technical evaluations of the project's three stages, was completed in February and presented to the State Council.

According to the study, the first stage will see the construction of a single 2,800 m long and 60 m wide runway to accommodate Boeing 737, MD-82 and Trident planes.

On completion of the first stage, the airport will be able to handle 1.2 million passengers a year and 50,000 tons of cargo.

The first phase can be completed in three years. If work began in the last quarter of this year, it could be completed by 1989, said Mr Zhou.

The study said expenditure on the first stage construction will be partly in yuan and partly in foreign exchange.

It admitted that there will be a shortfall in foreign exchange after the first stage opens since most of the revenue will be in yuan, generated by domestic flights.

But more foreign exchange earnings will be generated when the airport is upgraded to international status after the completion of the other two stages and begins serving foreign airlines.

Second stage construction will see the runway extended to 3,400 m to accommodate bigger planes like Boeing 747s and the airport's handling capacity increased to five million passengers and 200,000 tons of cargo a year.

A second 3,400 m long runway will be built in the third stage to facilitate higher passenger and cargo flow.

The US$800,000 study was financed by a grant from the U.S. Government's Trade and Development Programme.

It was jointly conducted by two U.S. firms, Lockheed Air Terminal and Parsons International, Hong Kong-based China Everbest Development Corp. and the Airport Consulting Engineers under the CAAC.

Lockheed's manager for international airport operations, Mr Robert White said the study has highlighted the feasibility of building the airport by suggesting it will bring economic benefits to the special economic zone and the whole of southern China.

"China needs a major air transportation gateway in southern provinces," Mr White said at the ceremony.

He said caution is needed in the actual implementation of the project.

"The feasibility study emphasises proper coordination in planning and implementing a cost-effective airport development programme," he said.

"Unless all the elements regarding design, construction, financing...are coordinated properly, the results of the feasibility study will become invalid."

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BRIEFS

NEW LAWS FOR FOREIGN FINANCE COMPANIES--Hong Kong, Jun 5 (AFP)--China is considering passing new laws to govern the activities of foreign finance firms in the country's special economic zones, a Chinese banking official said. Luo Xianrong, general manager of the Shenzhen branch of the People's Bank of China, told reporters in Shenzhen Wednesday that new laws are being considered following a request by a five-party joint venture finance company for a merchant banking license. The Shenzhen branch of the Bank of China, China's central bank, and four foreign firms--U.S.-based Security Pacific Corp., Hong Kong-based Bank of East Asia and Sumitomo Bank and Nomura Securities Co. of Japan--are all partners in the proposed joint venture. Mr Luo said existing legislation regulating the activities of foreign banks and joint venture banks did not cover finance companies. He said the proposed finance company would be governed by existing law on foreign bank branches until new laws are passed. A Nomura Securities Co. spokesman here told AGENCE FRANCE-PRESSE that the company was still studying whether the proposal was feasible. [Text] [Hong Kong AFP in English 0707 GMT 5 Jun 86 HK] /6662

CSO: 4020/355

PAPER ASSESSES CHANGES IN WEST'S LABOR MOVEMENT

HK310840 Beijing GUANGMING RIBAO in Chinese 19 May 86 p 3

[Article by Mei Dai [2734 1486], An Miao [2174 5379], and Ma Zifu [7456 1311 1381]: "The New Technological Revolution and the Labor Movement in the West" --passages within slantines published in boldface]

[Text] This year marks the 100th anniversary of the "1 May" International Labor Day--the festival of all proletarians throughout the world. On this occasion, it is definitely necessary to examine carefully, the new features embodied in the development of the international labor movement in light of the new development trends of the world. The new technological revolution is one of the new trends which have emerged in the world today. Having profound influence on the labor movement in developed capitalist countries, it has presented many major theoretical and practical issues. Here we would like to briefly analyze some of these issues.

/First, the structure of the proletariat has changed, obviously, but the class has never "vanished."/ In Western capitalist countries, economic development and the extensive application of new scientific and technological achievements to the production sectors have given rise to changes in the industrial structure and, consequently, changes in the structure of the proletariat. Workers in traditional industries have decreased while those in new industries increased; workers in primary and secondary industries have decreased while those in tertiary industry increased; and blue-collar workers have generally decreased while white-collar workers have increased rapidly--they now make up more than half the total number of workers in some countries. Some people hold that white-collar workers who mainly engage in mental work cannot be counted as a part of the working class; and that neither administrative personnel who are governing and supervising the workers nor scientific and technological personnel who do not directly engage in material production which creates surplus value can be regarded as members of the working class either. Therefore, the decrease in the number of blue-collar workers means that the ranks of workers are shrinking and the working class is "vanishing." This is not a scientific viewpoint. In the wake of the increasing weight of the intellectual factor in production and the further socialization of the production process, the definition of productive workers inevitably has to be expanded--in other words, white-collar workers engaging in technical work, administration, and service trades also fall in the category of the working class. This is because they in general do not own any production means but earn a living by selling their labor. They take part in the creation of surplus value as other workers do and are also exploited by capitalists, thus they should of course be classified as the "mental labor proletariat." For the above reason, the decrease in the number of blue-collar workers and the increase in the number of white-collar workers do not mean the working class is shrinking and "vanishing" but rather indicate that the class is growing and the intellectual standard of the whole working class is being enhanced--great progress in the process of the working class' self-improvement. A parallel case is that the workers' class status remained unchanged when the emergence of the era of large-scale mechanized industries meant substantial progress in terms of both the form of labor and the quality of the working class as compared with the era of workshop handicraft industries.

/Second, although the livelihood of the workers has been improved, the proletariat has not "merged" into capitalism./ In the face of strong pressure from the labor movement, the monopoly capitalist class changed its traditional labor policy featuring starvation and forced labor and began to implement the so-called "social welfare policy" after the War, with a view to temporarily mitigating the contradictions between classes. So, on the surface, the workers' wages were raised, social security and social welfare were improved, and working hours were shortened; in the meantime, the workers' involvement in part of the enterprise's administration has become a rather common practice, and so on. This is a new feature of the labor-capital relations in contemporary capitalist countries. Therefore, some bourgeois thinkers believe that "the proletariat has merged into capitalism," the class "has been bourgeoisified," and the workers and capitalists no longer have conflicts of class interests between them but have become partners on an equal footing. Such a viewpoint is just untenable. In fact, neither the changes resulting from the new technological revolution nor the changes in the monopoly capitalist class/ labor policy has manged to, or could possibly iron out the ultimate confrontation between the proletariat and the bourgeoisie. Although the workers' livelihood has been improved, their real income growth rate is much lower than that of labor productivity and surplus value. The workers have to face the severe challenge of high inflation rate, high tax rate, high unemployment, and high incidence of "occupational diseases as by products of modern industrial civilization" that follow the pay raise. To be sure, the workers' partial involvement in the enterprise's management and administration is a result of the long-term struggle of the labor movement, but it also reflects an objective demand arising from modern socialized production, indicating that the bourgeoisie has been forced to pay more attention to man's initiative in the production process because the role of the intellectual factor and the position of the workers as the main production force have been upgraded. Besides, the scope of involvement in administration and decisionmaking and the relevant power are limited, and the final decisionmaking power is still kept in the hands of monopoly consortiums. Trade unions should make good use of the workers' opportunities of partial involvement in management to forces capitalists to make more concessions, fight for more rights and interests for the workers, and thus enhance their ideological understanding and management skill.

/Third, the labor movement is now facing a tough situation in Western capitalist countries, but a new high tide is bound to arrive./ Due to the influence of the new technological revolution, the development of capitalism in a peaceful environment after the War, and the partial changes in the bourgeoisie's labor policy, the labor movement in the West has encountered some new circumstances and new issues and is facing a tough situation. For example, the membership of trade unions in some countries has dropped, the proportion of organized workers has decreased, strikes and struggle have been weakened, more doubts about Marxism have surfaced, and so on. Some people even interpret the current low tide as the liquidation of the labor movement. In distorting the nature and the social effects of the new technological revolution, they assert that the new technolgocial revolution will present a new way out for capitalism. This is a theory which suggests that technology decides everything. Marxists have always attached great importance to the role of science and technology and believe that they are giant levers to propel the society forward. But they categorically disagree with the theory that technology decides everything. To be sure, the new technological revolution will expedite the growth of the productive forces and, as a natural result, give rise to great changes in social life. However, it will by no means eventually solve the intrinsic contradiction of the capitalist system, namely, the contradiction between the socializationof production and the private ownership of production means, but rather aggravate it and thus make the changes in the relations of production and in the superstructure inevitable. It will be an unrealistic illusion if one thinks that there is no need to wage the proletarian revolutionary struggle whether in violent or non-violent form and that the new technological revolution will naturally eliminate the shortcomings of capitalism or will merge capitalism and socialism into a single whole. Since the invention of the steam mill in the past did not naturally bring forth a capitalist society from within the feudalist society, the growth in the productive forces today can only lead to changes in the production relations rather than substitute for these changes.

In order to push the international labor movement ahead, we badly need to display originality in applying the basic principles of Marxism, and to thoroughly study and interpret in a scientific way the new phenomena and special characteristics of the development of capitalism as well as the social effects of the new technological revolution, in light of the current specific circumstances in various countries. In such a way Marxism will be strongly attractive and convincing to the vast number of workers and will show its great vitality. Today, the communist parties and workers' parties in developed capitalist countries are searching for the road to revolution that will fit their own countries' conditions. More and more labor movement organizers have changed their traditional forms of struggle and their old work style in accordance with the changes in the bourgeoisie's labor policy; and, to cope with the changed situation, they have also introduced new forms and strategies of struggle and adopted new work style. They are bound to overcome the temporary difficulties that they are currently facing, gain more new experience, and win major new victories. After all, the low tide of the labor movement in these countries will pass and a new high tide will follow. Any wavering and pessimistic thinking is completely groundless.

[This article was sent in by readers in response to solicitations for articles on the study of the basic principles of Marxism.)

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GOVERNOR YOUDE VIEWS TRADE GAP WITH JAPAN

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[Text] Hong Kong, May 27 (XINHUA)--Hong Kong Governor Edward Youde conveyed on Monday to Japan the "deep concern" over the great difficulty of obtaining entry for Hong Kong products into the Japanese market.

Addressing the ninth joint session of the Hong Kong-Japan and Japan-Hong Kong business co-operation committees in Tokyo, the governor said that the value of the bilateral trade had increased by 67 percent in the past five years to over 8.1 billion U.S. dollars in 1985. But the trade gap had widened from the ratio of 10 to one in 1983 to 12 to one in 1985.

Earlier yesterday, Hong Kong Committee Chairman S.Y. Chung disclosed that Hong Kong was the fifth largest market for the Japanese products and had the third largest trade deficit with Japan after the U.S. and the Chinese mainland in 1985.

Youde said that Hong Kong could now act as a base for off-shore manufacturing operations involving higher technology rather than simply as a base for assembly work.

He urged Japanese manufacturers to invest in the metals, light engineering and plastics industries which has good export prospects as well as in the electronic firms which enjoyed a ready local clientele.

Referring to measures for alleviating the severe trade imbalance, Youde said that Japan could speed up the establishment of off-shore manufacturing processes in Hong Kong.

Sales of these products back to Japan should help narrow the trade gap while it would be profitable for the Japanese investors and consumers.

He also suggested Japan lower tariff rates for items of interest to Hong Kong.

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HONG KONG

TALKS CONCLUDED WITH PRC ON SHIPPING REGISTER

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[Report from Beijing by Chris Yeung]

[Text] An autonomous shipping register to be set up in Hong Kong before 1997 should be able to continue operating smoothly after China resumes sovereignty of the territory.

This is a consensus view of the British and Chinese experts under the Sino-British Joint Liaison Group (JLC) during discussions on the register which ended in Beijing yesterday.

Both sides will soon report to leaders of the JLG, which will discuss the matter further in its fourth round of talks in London next month.

It is understood that Britain has compiled a proposal for such a setup and raised it during the two-day talks.

A British team member, Hong Kong Director of Marine Y. Y. Chan, said: "We have made good progress and there has been better understanding on the issue."

He said there were still technical problems unresolved, but he was optimistic that the outstanding issues could be ironed out soon.

The Sino-British Joint Declaration states that the Hong Kong Special Administrative Region shall be authorised by China to maintain a shipping register. Certificates should be issued under its own legislation in the name of Hong Kong, China.

An autonomous register will secure a greater representation of Hong Kong in international shipping affairs.

Mr Chan said: "We have agreed in principle that the shipping register should begin operation before 1997 and beyond."

British team leader, Mr C. A. Higginson, deputy secretary for economic services of the Hong Kong Government, will return to the territory this morning.

At the same time, nationality experts from both sides will begin talks today on the format of a new identity card and related issues.

The British side, which arrived in Beijing yesterday, will brief the Chinese authorities on proposed amendments to Hong Kong's Immigration Ordinance and Registration of Persons Ordinance, which aim to give legal power to the term "right of abode."

The term is to be printed on new identities to be issued in Hong Kong from the middle of next year.

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